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ABSTRACT

Intended to provide basic information to policymakers and education-for-work planners, this report addresses both past history and possible directions for linking job training to economic development. In a discussion of the nature of economic development both international issues and economic development in the United States are covered. Discussed next are seven employment and training programs of the 1960s and 1970s. Various programs to facilitate economic development are examined, including financial resources for economic development, job training, Department of Labor incentives, youth incentives, private sector initiative programs, comparing manpower programs and vocational education, and Department of Commerce incentives. Following a discussion of linking economic development with job training, suggestions are made for improving the economic development/job training relationship. Explained next are education-for-work program evaluation and measurement techniques. In an investigation of barriers to job training and economic development the following are discussed: the Comprehensive Employment and Training Act (CETA), labor unions, adult education, government procurements, and lack of resources. Presented next are highlights of Economic Development Administration (EDA), approved projects in Texas, other EDA activities, and case studies of economic development districts in Texas. (Related Education for Work Linkage Project reports are available separately--see note.) (MN)

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THE ROLE OF VOCATIONAL EDUCATION IN ECONOMIC DEVELOPMENT

by

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July, 1981

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PREFACE

The Education-for-Work Linkage Project, sponsored by the Texas Department of Community Affairs, in cooperation with Texas Engineering Experiment Station and Texas A&M University, College of Education, has an overall goal of studying and strengthening potential and actual linkages between job training systems and the private sector. Four purposes underlie all products of the project:

1. Develop a statewide information base for vocational education services provided in Texas;
2. Create an information exchange network for program delivery agents;
3. Provide technical assistance and training to persons involved in vocational education services;
4. Provide policy research and program evaluation documents focusing on critical issues and concerns of the vocational education community.

The research report contained in this document addresses both past history and possible directions for linking job training to economic development. It focuses on issues of education-for-work, the problems of linkage between training and employment, economic development, and the relationship between such vocational training and general economic growth in a given region (i.e. the manner in which education-for-work impinges on economic development). As such, the term "vocational education" in the title refers to all aspects of education-for-work, including CETA, vocational education, the National Alliance for Business and its NAB/JOBS program and other job training programs. The concept "economic development" refers to "all activities which promote self-sustaining economic activity and general well being." Hence, this paper concerns job training as a means to an end of general growth and improvement of life in a given area.

In preparing this paper, the numberous publications of the U. S. Department of Commerce/Economic Development Administration have been consulted, as have the published research of the U. S. Department of Labor, the World Bank, the Congressional Record, the Harvard Business Review, the Wall Street Journal, and other publications in which the issues of education-for-work and economic development have been addressed. In addition, in writing the opening section on worldwide economic development, Charles P. Kindleberger's Economic Development has been invaluable. This paper is divided into six sections: I. Introduction to Economic Development, both internationally and domestically; II. A History of Recent Federal Programs for Economic Development; III. Programs to Facilitate Economic Development; IV. Economic Aspects of Manpower Training Programs; V. Evaluating Economic Development and Vocational Education Programs; VI. Barriers to Job Training and Economic Development; and VII. Economic Development Programs in Texas.

The intent of this report is to provide basic information to policy-makers and education-for-work planners regarding the potential role of job training in economic development.

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Several of the Education-for-Work Project staff have been responsible for this document. Having primary responsibility for gathering information, abstracting documents, and organizing the reference document has been Louis Jeffries. In addition, Russell Kitchner, Lisa Guinn, and John Skinkle have provided valuable critique and editing assistance. Lewis Earl assisted the staff early in the project in discussions regarding past endeavors, both nationally and in Texas, in linking job training and economic development.

The project staff is indebted to the project staff of the Role of Vocational Education in Economic Development Project of the American Vocational Association. These individuals, Dr. Krishan Paul, Dr. Ellen Carlos, and Dr. Dave Bushnell, shared their conceptualization about how job training might potentilly be linked to economic development with the projects staff here.

In addition, the project staff is indebted to Ms. June Sekara, U. S. Department of Labor, on special assignment to examine the role of CETA as it relates to economic development, for giving generously of her time and resources in order to provide a fuller understanding of the relationship between job training and economic development.

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Project Director
Education-for-Work Linkage Project

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PART I:

INTRODUCTION TO ECONOMIC DEVELOPMENT

The Nature of Economic Development

Economic development is a topic encompassing a wide range of issues, ideas, and often controversy. The views of several respected economic development experts provide insight into the complexity and importance of economic development. According to Kindleberger, economic growth means more output, and economic development implies both more output and changes in the technical and the institutional arrangements by which it is produced. Growth may well imply not only more output, but also more inputs and more efficiency, i.e., an increase in output per unit of input. Development goes beyond these to imply changes in the structure of outputs and in the allocation of inputs by sectors (Kindleberger, 1965, p. 3). Zuvekas views economic development as a decline in agriculture's share of such sectors as manufacturing, utilities, financial institutions, construction and government administration (Zuvekas, 1979, p. 9). Other economic development spoksmen, Buchanan and Ellis, posit that development, per se, means developing the real income potentialities of the underdeveloped areas by using investment to effect those changes and to augment those productive resources which promise to raise real income per person. (Buchanan and Ellis, 1955, pp. 21-22).

Kindleberger further elaborates his position by explaining that economic growth is generally thought of as unidimensional and is measured by increases in income. Economic development involves structural and functional changes as well. However, in the absence of effective measures of the latter, states of development are estimated by levels of income and rates of development by the growth of income.

Ordinarily, levels of income and rates of increase are given on a per capita basis, to approximate measures of efficiency and welfare.

Economic development has invariably consisted of the delineation of conditions conducive to an area's development and growth economically, a discussion of the stages or chain of events which occur in the process of development, and the presentation of of statistical case studies of various geographical regions which have either experienced successful economic development remained stagnant economically, or manifested some modest success in-between. The discipline of economic development has primarily focused on the conditions of third world countries through studies sponsored by academic institutions, the United Nations, or the World Bank. Studies of the economic development of inner city or rural areas of the United States which manifest cultural or economic deprivation are primarily sponsored by the federal government through the U. S. Department of Commerce, Economic Development Administration; the U. S. Department of Labor; and the U. S. Department of Health and Human Resources, either internally or contracted to academic research institutions or individuals.

In considering definitions and overviews of economic development, the most reliable source has been introductory textbooks on economic development which focus on the development and growth of third world countries. One of the a prior assumptions of the discussion herein is that the conditions and events relating to the development of such countries are applicable to the development of economically deprived regions of the United States. Particulary helpful to the purposes of this study, and utilized extensively in this document, have been the writings of Charles P. Kindleberger. Much of the interpretation that follows in presenting an overview of economic development must be credited to him.

According to Kindleberger, for economic development to take place there must be some considerable rationality of cognition (the way the individual interprets the physical world about him), universalism in membership (roles in society are chosen on the basis of capacity to

fulfill such a role, rather than on the basis of family, religion, caste, or income), and specificity in relations (in which the limits of the obligations of people to one another as spelled out in contractual form). The extended family in which young adults continue to live with parents after marriage has an inhibiting effect on many of the factors affecting economic development. The system of inheritance affects the size of agricultural land input and also mobility. The role of women also affects economic variables. Economic development depends upon an open class structure and is particularly helped by the existence of a strong middle class; factors contirbuting to this situation are the existence of money (slaves can buy freedom and wealth can be accumulated), the seculrization of education (free science from church rule), the existence of a frontier to preserve mobility, and the critical start in capital formation and mechanical production necessary to overcome initial inertia. In pluralistic societies, apart from the political tension there is a loss of energy and capacity through the racial particularism (resolved either by the melting pot, separation or expulsion), and the gradual change in every society from rural (contributing to rigid social life and values) to urban which promotes the elements listed above contributing to economic development).

Several theories of economic growth have been posited over time. In the Ricardian growth model, the major limitation on growth is imposed by land, which sets the price of food and thus the supply of labor. In the Harrod-Domar model, growth is a result of the interaction between saving and the capital/output ratio, with capital as the engine of growth. Intended savings and the capital/output ratio lay out on equilibrium growth path from which it is easy to stray through too much or too little demand.

The most famous stage theory of economic development is Rostow's five-stage plan. (Rostow, 1960). These stages are as follows:

1. traditionl society rests in static equilibrium until it is distrubed by some mechanism (E. E. Hagen believes that the mechanism is a "change" in cultural per-

sonality); (Kindleberger, 1965, p. 15);

2. the preconditions stage involves slow changes, especially in attitudes and organization, whereby economic improvement takes hold, and frozen traditional rigidity breaks up to allow for occupational, geographic and social mobility;

3. takeoff is the great watershed where resistances and blocks to development are overcome; the rate of investment jumps from 5% to more than 10%, percipitating discontinuity because of rate of change;

4. the drive to maturity encompasses the spread of technical change and improved efficiency from the leading sectors to all parts of the economy, with the habits of growth becoming ingrained in the economy; rates of growth outstrip population increase to raise income per capita; maturity is reached when every sector has built regular growth into its habits;

5. the high mass consumption state is where durable consumer goods, life in the suburbs and a college education for one-third to one-half of the population come within reach.

For economic development to occur, nothing surpasses the presence of abundant capital to alter the character and capacity of existing resources and human drive and creativeness. Land is particularly important to under developed countries with their paucity of capital and innovational skill. However, land is relatively unimportant for a developed country that has capital and innovation (as Germany, Japan, and Israel have proven).

The rate of growth implied by a given rate of capital information is a function of the capital/output and ratio and the rate of population increase. The capital output ratio represents the relationship between all or increments of capital with total or incremental output with regard to other factors. The process of growth involves savings to create a surplus for capital investment. The source of voluntary saving is intricately bound up in social attitudes toward economic mobility, in income distribution, and in the level of income. One of the mysteries about economic development is what makes the rate of saving rise in the early stages and decline in

the late.

The change in labor force from the traditional society to industrialization proceeds by stages from recruitment to commitment (it is difficult to overcome high turnover and absentee rates but trade unions may help), to advancement (which raises the question of training), to maintenance. Investment in human capital takes the form of formal schooling, on-the-job training (OJT), adult education, expanded efforts in health, migration, and commodities, which increase the effective demand for other products and spreads in cumulative fashion. However, even where the growth process is led by efficiency in production, the requirements of distribution are inescapable.

In economic development, the price system works if there is a substitutability in consumption and production in underdeveloped countries, i.e., if the elasticities are high in either production or consumption, but not if consumption proceeds in fixed proportions and production with fixed combinations of input. Where the price system works, but not well, a large movement in either direction may help to indicte what move is needed next.

The shifting of resources out of agriculture and into industry or social overhead capital requires shifting food with them. If the people who remain in agriculture increase their consumption of food without producing any more - a possibility if those who are left were disguised unemployed with zero output - and if those newly employed in town wish to increase their food consumption, demand reaching the market rises while the marketed supply declines. If consumption has low price elasticity and the supply of manufacturers increases while that of foodstuffs fall, there is likely to be a major redistribution of income to the farm, industrial output will be unprofitable, and development may be blocked. The damage can be repaired by increasing agricultural output to the point where marketing of foodstuffs and the demand for industrial products increases. In addition to expanded output and foreign trade, the problem can be solved if the agricultural sector has a high propensity to save or if it is heavily taxed. Farm output is likely to be assisted in the early stages of

economic development by the breakup of the traditional methods of production, including land reform, which may release the energy of highly motivated farmers; but land reform may reduce farm marketing by substituting subsistence for commercial agriculture. In the second stage of improved agricultural efficiency, research, education, new institutions for cooperation, credit, and community endeavor are recommended because they are labor-intensive and capital-saving. In the third stage, usually under the stimulus of industrial growth, agriculture tends to become capital-using and labor-saving; it thrives best in close proximity to industrial growth.

Inflation, which occurs with greater intensity in underdeveloped countries, stems from inelasticity of supply in undeveloped countries in which monetary expansion and deficit financing play supporting rather than initiating roles. Taxation is helpful in combating inflation, but the tax problem in underdeveloped countries is complicated by social tensions and resistance to burden sharing. Tax systems in underdeveloped countries are regressive and bear heavily on consumption, given the political and administrative difficulties of an equitable system of progressive taxation. Taxation of land would be highly desirable, in view of the numbers of people on the land and the need to get them working for the market, but is administratively difficult. Taxation of direct foreign investment could assist the development process.

High population density and high rates of population increase have touched off a race between economic growth and population growth which the latter threatens to win. Death rates have been reduced by cheap public health measures; they have also fallen with increased income per capita. Birth rates rise with more income, or decrease more slowly than death rates; hence a large increase in population with growth until a new equilibrium is reached, with birth and death rates equal at lower levels. In the Malthusian low-level equilibrium trap it is impossible to raise income per capita since any short-term increases touches off a faster gain in population than income which restores the initial position. Sharp changes in population rates bring about changes in the average age of a country and alter the

ratio of workers to total numbers. Migration is not a hlpeful escape from the problem.

One mechanism for measuring excessively high rates of population increase is "the rule of 70": 70 divided by the percentage annual increase in population equals the number of years necessary for the total population to double if that percentage annual increase remains constant. For example, the approximate annual rate of population increase of Mexico is approximately 3.5%; hence, the population doubles every twenty years if that annual rate stays constant.

Poverty abounds in vicious circles; the Malthusian circle keeps countries poor by expanding their numbers when increases in output occur; the capitalcircle implies that at low incomes it is impossible to save enough to form new capital. Industrialization needed to relieve population pressure tends at an early stage to intorduce improved health, which increases the rural population, and causes excessive fragmentation of landholdings, thereby precipitating the migration to the cities and the increased population pressure there.

A developing country can escape the paradox of income distribution by accumulating savings on a nationwide basis, which requires austerity, and in turn demands equality of sacrifice and more equal income distribution thereby reducing savings. However, promoting high profits as a source of savings for capital formation may lead to unrest and fail to produce socially desirable investment since the profit-making classes are not necessarily interested in the common good.

Despite these factors, economic development has occurred as part of an unconcious process, generally inless densely populated areas. It has also occurred as a consciously willed objective, as in Japan

and the Soviet Union, the former densely populated. The answer to the question of how a country breaks out of the stable equilibrium or vicious circle of poverty into an area where the process of development becomes interacting and cumulative is unknown, though theories abound.

In unplanned development, as in Western Europe, the most important dynamic force seems to have been the evolving character of the people, and particularly of the "new men," the merchants and bankers who gradually worked themselves free from the confining embrace of feudalism. Where the middle class was weak and ineffective, its dependence upon the landed classes and subservience to them were due to its failure to reach the size and strength to enable it to challenge the old order. Up to a certain level of the middle class, the vicious circle perpetuates itself; beyond it, change becomes the established order - perpetuating and interacting change in capital formation and technology.

The role of climate can give rise to the initial breakthrough from the vicious circles of underdevelopment. In the period of unconcious development, international communication was limited, cultures were isolated and independent and cultural change occurred primarily as a consequence of internal stimuli. Where economic energy was required to produce an adequate level of living in temperate climates, it was relatively easy to develop more energy and to push on in other directions and break out of the restraints of tradition. Where the climate was tropical however, the output of economic energy was initially low and lacked the internal stimulus to reach the cumulative, self-reinforcing stage.

With planned development it is not clear how the vicious circle is broken. There may be no unique way. The Japanese experience differs from that of the USSR. In the former, the economy was kept open, initiation of Western technology took place on a wide front, an entrepreneurial class was grafted onto the old class society with the adoption of the institution of private enterprise and the use of a price system to allocate resources and distribute income. In the

USSR on the other hand, the primary emphasis, was on industrial capital formation with enough compulsion applied to achieve the necessary resources allocation and restriction of consumption. Whether the desired degree of consumer choice and pattern of income distribution can be achieved is unknown, perhaps doubtful.

The interrelations among resources, capitol formation, social structure, technology, scale, and transformation are many and complex, and yet it appears that the social factor is in many ways the strategic element. This is true in a positive sense inunconscious or private-enterprise development, and negatively true where development is imposed from the top. Where private forces bear the brunt of the responsibility, capital formation and technical change are both functions of the social position. The open society, with the social mobility opportunities for workers with energy to rise to the middle class and for the upper classes to achieve distinction in ways which are socially productive, provides incentives for saving and for innovation. In those societies where government assumes the leadership in efforts at economic improvement, development can be blocked by unwillingness or inability of the masses to respond to work incentives to assume burdens of austerity, and to turn their backs on traditional ways without becoming rootless and restive.

Emphasis on the social element leads to priorities in investment, transportation and communication (designed to link markets and promote personal contrcts), as well as education (where emphasis on practical, social cohesion is important). Transportation, which links markets as well as people, increases elasticities, improves the efficiency of the price system, and permits the achievement of economies of scale in production and distribution. Likewise, universal education through grade school (preferably high school) must underlie the effective recruitment of the foreman, supervisors, et al., on whom effective organization of production and distribution at basis rests. Transportation, communications, and education are therefore general investment priorities, yielding external economies. Some observers add electric power, but critics of this entry maintain that its indroduction has a large element of demonstration effect in it, that

it requires the use of capital in proportions frequently inappropriate to the factor endowments existing and a short-run prospect in underdeveloped countries; Hydroelectric projects, as contrasted with thermal, yield a very low rate of return.

One of the secrets of development is the use of the price system to the fullest extend possible. There is a temptation in developing countries to interfere in the price system by overvaluing the exchange rate, by buying up farm produce below the urban market price less transportion and by establishing controls over price, allocation, and distribution. However, it is more economical of administrative talent to rely on private incentives. There is less chance of the enormus errors which "freewheeling" outside the price system can bring in monumental and wrong investments. An effective price system encourages those social responses which are the strategic basis of development-rationlity in perception, specificity in interpersonal relations, and universalism in choice of roles.

International Issues

The World Bank addresses the issues of economic development in its World Development Report 1980, in which it discusses the challenges facing developing nations in the decade of the 1980s. The governments of oil-importing, underdeveloped countries must take steps to reduce their current accoung deficits and adapt to more expensive energy at a time when demnd for the exports from these countries by the industrialized countries has slowed because of the rise in energy prices. In order to maintain economic growth these developing countries must cut external deficits and raise exportsithout greatly lowering imports while increasing investment and efficiency in resource use.

Some policy issues involving developing countries could determine their ability to survive in the 1980s. These issues include the following:

1. Trade - The ability of developing countries

to afford imports for growth depends on the amount of their exports to the industrialized countries which constitute two-thirds of their market. Industrialized countries must expand the volume of imports from developing nations.

2. Energy - Reliable supplies and level prices conservation and development of alternative sources

3. Capital Flows - The growth of developing countries continues to depend on inflows of foreign capitalin the form of more aid from indistrial nations, the World Bank, the International Monetary Fund, and others.

4. Investment and Production Efficiency - Policies that increase investment, improve administration, raise agricultural productivity, and make better use of capital,labor, natural resources, and imports which attract commercial finance and facilitate development.

5. Human Development - The role of education, training, health, and nutrition confer direct benefits and investment leading to growth.

6. Population - Human development contributes toraising average income by reducing population growth, which in turn results in greater investment per person in physical capital, human skills and faster growth. Better nutrition, health care, and education (especially of women) are essential.

The difficulties of implementing human development activities include the political obstacles of urban bias, competition for resources, the weak position of the poor, financial constraints on programs, and administrative inefficiencies.

These same issues reappear in considering domestic economic development and the role of education-for-work in contributing to human development as a means of facilitating education, efficiency, and investments. Just as the World Bank acts as a financial institution, providing funds for investment by the third worlo, so the Economic Development Administration and such programs as the Business Loan Program have provided resources to revitalize and stimulate the economies of deprived regions. Likewise, the conditions necessary for

economic growth in developing countries also apply in considering the needs of underdeveloped regions of the United States.

Economic Development in the United States

The dynamics of economic growth inindustrialized and post-industrial societies are far different from those of the developing third world nations. Nevertheless, the social expectations of such societies demand a continuation of the benefits associated with economic advancement. Therefore a careful analysis of those dynamics is critical, as is an understanding of the impact of various factors unique to industrialized nations on the maintenance of strong economic foundations.

Economic Development at the Community Level. At the foundation of community revitalization programs and efforts to improve the economy in general is the need to use education-for-work programs as a tool for economic development tostimulate the growth of jobs. Economic Development is "all activities which promote self-sustaining economic activity and the general well-being. "(U.S. DOL, 1978) Hence, economic development is a process which seeks to promote the growth of the kinds of jobs that are permanent, pay good salaries, and offer opportunities for advancement. In addition, other sources include the benefits of good housing, and life expectancy as measures of economic development. However, employment and jobs are really the means of accomplishing these other qualities. Economic development demands on the level and interaction of five factors: (1) capital; (2) labor; (3) technology; (4) natural resources; and (5) social and cultural characteristics of society. In practice, federal programs of "economic development" are primarily concerned with increasing the level of infrastructure and private investment (capital) in a given locale, a region characterized as a depressed area of high unemployment rates, high out-migration, and low income. The direct impact of the level of the particular project, and the best test of the impact of economic development programs is the impact on primary measures.

Factors Affecting Local Economic Development. The Primary Measures of Economic Development according to the U. S. Department of Commerce include the following: Gross Product (usually difficult to compute and therefore not attempted); Per Capita Income (the best estimate of overall economic activity at regional levels and serves as a surrogate for gross product at regional level); Median Family Income (more difficult to ascertain).

The Secondary Measures of Economic Development, which relate to economic, social and political factors, include the following. Economic Indicators include: (1) a change in residentiary employment; (2) the index of growth industries; (3) the degree of economic concentration; (4) change in labor force participation rate; (5) the loan potential of financial institutions; (6) government fiscal effort; (7) government investment effort. Social Indicators) are (1) Regional class structure and (2) education profile. Political Indicators relate to political participation.

Project Oriented Measures of Economic Development may also be useful. General Criteria are (1) Job Location; the EDA encourages private enterprise to expand and locate in depressed areas through public works and business loan programs; (2) Economic Structure, which includes stability of new employment, potential growth of employing enterprise, employment diversification, previous employment status of newemployees, unemployment status of head of household, previous residence of work force,utilization of under-used resources, new jobs contribution to economic base; (3) Private Investment; (4) Development Process, which includes local government attitudes, lending institutions' attitudes, dominant economic group's attitudes, cooperation of community organizations, effectiveness of community planning efforts and local development organization, borrowing and financial capacity, cooperation with neighboring communities, effectiveness in using state/federal development programs, and concern for the poor and minority groups; (5) Services, such as water systems for new industry which provide service to the neighborhood.

Criteria for Special Evaluations are (1) Economic Development Groups in urban areas whose objectives include developing new business and capital investment in minority communities through activities such as loan packaging, franchises and dealerships, contractor bonding, etc. (These groups also compile data on the level of these activities); (2) Skill Centers for training unemployed adults with the assessment of the project consisting of the impact on the community and on the employer, and the measures thereof; (3) Planning Grant Program for economic development districts (counties), designates depressed areas, or qualified Indian Reservations, with thecriteria for effectiveness being the planning capabilities of staff, the grantsmanship capabilities of the staff, the representation of the power structure and the target groups on the boards, the counseling and communication capabilities of the staff; (4) Growth Center Program investments benefit the residents of surrounding distressed areas with the center recommended and approved by the overall economic development program (OEDP), with the center geographically and economically attractive to the area (the area being under 250,000 population.) (5) The centers' impact is measured by in-depth case studie such as job impact on the redevelopment-area residents, the effect on out-migration, the effectivenes of Positive Action Programs (PAP) and the analysis of published data. (U. S. Department of Commerce, February, 1972)

There are several useful tools for promoting development. One important tool is providing information concerning the characteristics of an area to firms considering relocation to the area, such as business environment, natural resources, provisions for public services, and labor pool characteristics.

Financial assistance to firms in the process of becoming established or expanded is alsouseful; such assistance takes the form of indistrial revenue bonds, tax abatements, urban renewal and port authority powers, land banks, direct short-term loans to business, equity loans where the lending party shares ownership with another party, and CETA/OJT contracts covering up to one half the normal training costs incurred by the firm.

Developing public facilities and supportive services such as water, sewage and police (the most common tool developed by agencies) is a third important aspect. Economic developers also develop manpower resources complementary to labor requirements, such as customized training for relocating firms, labor demands studies, skill centers, public service employment (PSE) for development work, and the coordination with the private sector.

Federal sources of funding for community economic development include the following, subject to considerable future change:

(1) Department of Treasury, which is responsible for administering anti-recession fiscal assistance to regular revenue sharing funds to be allocated for distribution to reduce the probability that areas will raise taxes, lay off public employees, cancel construction projects, or reduce basic public services.

(2) Economic Development Administration of the Department of Commerce, which funds public/private nonprofit organizations representing designated multi-county Economic Development Districts.

(3) Department of Housing and Urban Development, which distributes funds through a special revenue sharing program, and Community Development Block Grants.

(4) Small Business Administration, which sponsors business and investment loan packages for small businesses.

(5) Community Service Administration, which spends funds for Community Development Corporations, locally controlled, nonprofit organizations designed to provide poverty area residents with the jobs and opportunities to participate in corporate ownership/management.

(6) Office of Minority Business Enterprise of the Department of

Commerce, which encourages the formation of business development corporations through which the agency provides management and technical assistance.

(7) Farmers Home Administration of the Department of Agriculture, which provides loans for farm purchases, or operations and Industrial Development Grants for development of business and industry for improving the economy in rural communities.

(8) Appalachian Regional Commission, which promotes Appalachian development by stimulating substantial public investment in the area.

The Impact of Science and Technology on Economic Development

The role of science and technology in economic development has been investigated since the advent of large scale research development in World War II and its subsequent expansion during the 1950s and 1960s. Recently there has been a growing concern over the role of science and technology in regional development. This interest has been stimulated and shaped by the emergence of science-industry-grovernment complexes around the country. The impact of these complexes onlocal economicies, in growth and structure, and in the windfall natureof the location has led to the assignment of "mystical properties" to the power of science and technology in regional development. Many cities and areas then attempted to enhance development with these same complexes, but with mixed results, and the reasons for success or failure remain obscure.

Research and development (R & D) can influence regional development in various ways. Money spent for R & D conducted in the region provides sources of employment and income which have a multiplier effect on the economy. The results of R & D can stimulate regional growth. The presence of R & D activity and the influence of local technology personnel often yield secondary benefits of improved education and cultural facilities.

There is a direct relationship between the growthof a firm or

industry on the level of investment in research and development. The rapid growth regions, which include concentrations of technical and intensive industries, are also regions with high R & D expenditures and concentrations of scientists, engineers, and technicians. It is also asserted that R & D activity in a region will stimulate additional R & D activity and relate manufcturing employment. Research conducted in laboratories in an area creates economic opportunities in new products, processes, and services which may become commercially feasible, with production occurring near the locale where the particular product is developed. The pull of R & D as a determinant of production location is strongest in defense development contracts. R & D activity is viewed as locational asset which serves to attract additional science-based activity. Thus, research parks have been extablished near universities such as in the case of Research Triangle Park in North Carolina.

PART II:

HISTORY OF RECENT FEDERAL PROGRAMS FOR ECONOMIC DEVELOPMENT

During the 1960s and 1970s a great deal of national attention was focused on the problems of poverty and unemployment. Federal legislation was enacted to create several programs which addressed these problems. These measures were at least in part an attempt to promote economic development in different areas of the country. Methods used to reduce unemployment and create jobs included business loans, education-for-work or job training and programs designed to help attract industry to economically depressed areas. A brief description and history of these programs is given in this section.

Employment and Training Programs of the 1960s and 1970s

Several important employment and training programs were enacted beginning in 1961 which were somewhat related to economic development. These programs were predecessors of the Comprehensive Employment and Training Act (CETA).

Area Redevelopment Act. The first substantial postwar program designed to combat unemployment was the Area Redevelopment Act (ARA) of 1961. The ARA was designed to stimulate economic growth and develop long-term job opportunities in areas experiencing high unemployment. The legislation was intended to encourage the establishment of new industry by providing loans and training programs to depressed areas. The ARA was the first training program to offer classroom training. It also established the principle of federal training allowances so that unemployed adult workers with family responsibilities could afford to participate in long-term training

(ARA provided 16 week courses). Ultimately the ARA was felt to be too narrow in scope, as there was a need to train other unemployed people who did not live in identified depressed areas. Consequently, the Manpower Development and Training Act was passed to expand the concept of the ARA.

Manpower Development and Training Act. The Manpower Development and Training Act (MDTA) of 1962 was the first major piece of legislation related to training with primary emphasis on retraining heads of families who were cyclically unemployed, that is, unemployed due to rapid technological changes. The early emphasis was on the institutionalized training and on-the-job training.

The MDTA was amended several times in response to various crisis situations to include programs for disadvantaged groups such as youth, older workers, and the hard-core unemployed. The Job Opportunities In the Business Sector (JOBS) program, in cooperation with the National Alliance of Business (NAB) was added in 1968. NAB/JOBS was an attempt to create jobs and training opportunities in the private sector for the structurally, or hard-core, unemployed. Another amendment, the Cooperative Area Manpower Planning System (CAMPS) was created in 1967.

The Economic Opportunity Act (EOA). The Economic Opportunity Act, passed in 1964 as a declaration of "war on poverty", focused on aid to the structurally unemployed, targeting its employment and training programs to the poor and minorities in order to increase their ability to compete in the labor market. The EOA included programs which were later incorporated into CETA such as the Neighborhood Youths Corps, Job Corps, the Concentrated Employment Program and several work experience programs for adults.

The Emergency Employment Act (EEA). The Emergency Employment Act was signed in 1971, with a one billion dollar appropriation. The purpose of the act was to create public service jobs and to provide employment to unemployed or underemployed workers from all labor market groups, not just disadvantaged or hard-core unemployed. The

program had a goal of permanent employment for a minimum of 50% of its enrollees.

The Comprehensive Employment and Training Act. The Comprehensive Employment and Training Act (CETA) was an example of a major overhaul of an economic development, education-for-work system in order to achieve a more flexible system to deal with the diverse problems and needs of various areas. CETA was signed into law December 28, 1973, culminating a seven-year effort to restructure the nation's manpower program delivery system. President Nixon, in his February 7, 1972 Message to Congress urging enactment of the Manpower Revenue Sharing Act, delineated four basic assumptions justifying manpower reform. (1) The present categorical grants-in-aid system was not working due to many service delivery problems. (2) The solution to the manpower problem was the transfer of basic authority and responsibility for program planning and delivery to state and local governments. Thus the federal government would provide revenue and flexibility, while state and local governments would plan and implement a program best suited to the needs of the people in the area. (3) Decentralization of manpower would provide increased opportunities for citizens to participate in their government. (4) State and local governments would be closer to manpower problems, sensitive to the individual needs of their constituents, and in the best position to design the most efficient, appropriate program responses. This legislation (CETA) marked, as Congressman Carl Perkins said, "a compromise between those who favor the so-called revenue sharing approach and those who believe in a strong federal role and responsibility." Program control shifted from federal to over 400 state and local units of government; separate identities of most programs were decategorized to afford local officials greater flexibility in fashioning programs to local circumstances.

In essence, the Comprehensive Employment And Training Act (CETA) was designed to provide job training and employment opportunities to economically disadvantaged, unemployed,and underemployed persons and to ensure that training and other services lead to maximum employment opportunities and enhance self-sufficiency.

The provisions of CETA were divided into sections by title with the revised CETA of 1978 consisting of 8 titles:

Title I. This title clearly established the concept of state and local governments as prime sponsors. Federal revenue was to be made available to designated prime sponsors jurisdictions through a formula allocation. To be eligible to receive this financial assistance, the prime sponsor was required to develop a comprehensive manpower plan, subject to approval by the Secretary of Labor. To assure citizen participation, prime sponsors were required to organize and maintain manpower planning councils. Prime sponsors could fashion their local manpower program from a wide range of allowable activities authorized under Title I.

Title II, Parts ABC, - Provides employment and training services to economically disadvantaged and structurally unemployed persons to enable them to secure and retain employment at their maximum capacity, through training, upgrading, re-training, education, and other services.

Title II, Part D, - Provides transitional employment in jobs providing needed public services (public service employment) to economically disadvantaged persons who are unemployed. Jobs are at entry level positions which combine training with services when possible.

Title II, Section 202 (b) (c) (d) (e), - Provides for the delivery of the state's responsibilities under the Special Grants to the Governors. It is the purpose of the programs to (1) provide supplemental vocational education assistance in areas served by prime sponsors; (2) encourage coordination and establish linkages between prime sponsors and educational agencies and institutions. (3) conduct Governor's coordination and special services within the State; and (4) provide support to state employment and training councils.

Title III, Part A, - Provides special target group funds to

segments of the population that are in particular need and are at a particular disadvantage in the labor market. Included are Native Americans, migrant seasonal farmworkers, veterans, handicapped, and older workers.

Title III, Part B, - Establishes a comprehensive program of manpower research utilizing the methods, techniques, and knowledge of the behavorial and social sciences and such other methods, techniques, and knowledge as will aid in the solution of the Nation's employment and training programs.

Title IV, Part A, - Establishes a variety of employment, training, and demonstration programs to explore methods of dealing with the structural unemployment problems of the nation's youth. Included under this part are the Youth Incentive Entitlement Pilot Projects, Youth Community Conservation and Improvement Projects, and Youth Employment and Training Programs.

Title IV, Part B, - Establishes a Job Corps for low income disadvantaged young men and women and authorizes the establishment of residential and non-residential centers in which enrollees participate in intensive programs of education, vocational training, work experiences, counseling, and other activities.

Title IV, Part C, - Establishes a Summer Youth Program to provide eligible youth with useful work and sufficient basic education and institutional or on-the-job training to assist these youth in developing their maximum occupational potential and in obtaining unsubsidized employment.

Title V, - Establishes the National Commission for Employment Policy which has the responsibility for examining broad issues of development, coordination, and administration of employment and training programs, and for advising the President and the Congress on national employment and training issues.

Title VI, - Provides for temporary employment during periods of

high unemployment. Such employment can be provided during periods when the national rate of unemployment is in excess of four percent and the number of jobs funded shall be sufficient to provide jobs for twenty percent of the number of unemployed in excess of four percent in periods during which the national rate of unemployment is in excess of seven percent

Title VII, - Provides a demonstration program to test the effectiveness of a variety of approaches to increase the involvement of the business community in CETA employment and training activities and to increase private sector employment opportunities for the economically disadvantaged.

Title VIII, - Establishes a Young Adult Conservation Corps to provide employment and other benefits to youth who would not otherwise be productively employed through a period of service during which they engage in useful conservation work and assist in completing other projects of a public nature on Federal and non-Federal public lands and waters.

The separate titles with their discrete funding authorizations outlined a system of separate block grants under CETA. For example, CETA appropriations for Fiscal Year 1977 amounted to $3.2 billion which was made available by title as follows: Title I - $1.88 billion; Title II - $400 million; Titles III and IV - $989 million. Of this amount, prime sponsors had 80% of Title I funds at their disposal, or $1.5 billion, for planning and delivering a comprehensive manpower program for their jurisdiction. The remaining $1.7 billion (a significant portion of which was eventually available to prime sponsors) was delivered through rigid categorical block grants. Each title required a separate grant application and separate accounting and reporting.

Policy Changes Under CETA. The only significant change in the intergovernmental infrastructure created under CETA exists in Title I, where increased program flexibility results in expanded power and authority for state and local governments. For the first time

decision making by local elected officials were infused into the manpower delivery system. Under the pure categoricl grants-in-aid system, local officials' participating in the infrastructure was limited to the number of grants they managed. As a prime sponsor under CETA, the elected official became the focal point of the local manpower program system - responsible for performimg the basic functions of local policy determination, planning, and program delivery. The Secretary of Labor was given the ultimate responsibility for ensuring that manpower policies and programs were administered consistent with the purpose and provisions of the Act. Prime sponsors were to meet the statutory requirements of the Act, and the Secretary was not to "second guess" the program judgment of the local prime sponsor. This legislative intent left the Department of Labor with the primary functions of reviewing and approving prime sponsor plans, monitoring, assessing program performance relative to prime sponsor plans, and providing technical assistance.

The CETA legislation did not represent the radical departure advocated by the early proponents of manpower reform. Title I represented the only significant deviation from the categorical grant-in-aid delivery system, the only area in which the established infrastructure was subject to change. However, state and local governments, as CETA prime sponsors, gained significant control and flexibility over their relative shares of available Title I resources. CETA also altered the relationship of the categorical grant-in-aid service deliverers within the manpower delivery structure.

Another change for the worse, according to Robert McPherson, was the fact that the local elected official's participation as a prime sponsor in effect severed the vertical functional relationships between the federal funding source and the delivery agents which had existed under the prior categorical grant-in-aid system, thereby causing these elected officials to expand their staff, hence more bureaucracy. (McPherson, 1976)

McPherson further asserted that while granting state and local governments more controls and flexibility, CETA policies were

compromised by the legislative process. Bureaucrats became restless and began to exercise more controls over prime sponsors. Title II, which duplicated the categorical block grant, was retained at the insistence of liberal congressmen. Erosion of the block grant flexibility was inevitable. More power and controls were exercised over local prime sponsors in the form of stringent assessment of the prime sponsor's operations, assessment of prime sponsor's grant applications, national performance indicators for uniformity and consistency in the grant review process, and the use of specific criteria as standards to review prime sponsors' program decisions. CETA was one step removed, according to McPherson, from national performance standards which would have usurped local elected officials' flexibility and power.

Another example of the failure of block grant flexibility, in addition to Title II, was the passage of Title VI to CETA, the Emergency Jobs and Unemployment Assistance Act (1974) and its extension. Herein the Congress was administering the public service employment through legislation establishing specific criteria for determining participant eligibility for jobs funded under Title VI, with no prime sponsor option. Hence, prime sponsor program flexibility had eroded. The purpose for which the money was spent and the time frame were specified by the Department of Labor.

Types of Federal Financial Assistance

Federal financial assistance in recent years, even prior to the advent of CETA consisted of three approaches: (1) categorical grant-in-aid, (2) block grants, and (3) revenue sharing.

Categorical Grants-in-aid targeted special efforts to produce immediate results for national problems concentrated among specific population segments. Funds from the progressive income tax structure were available through narrow categorical grants. Congress established the policies and program design and funding. The federal executive departments, in this case the Department of Labor, embellished the policies and programs with regulations and guidelines.

The recipient agencies (being either state or local governments or private, non-profit organizations with the grantsmanship skills) administered the program. Congressional committees passed in piecemeal fashion, the categorical legislation designed to solve specific problems. Growth in such federal assistance has grown from $7 billion in 1960 to $51.7 billion in 1975, to the point where such programs had created a feuding among parallel networks within a single department, and a multiplicity of functionaries, according to McPherson. Block Grants were broader purpose programs to provide greater program flexibility to state and local governments. As many as 16 categorical grants were consolidated into a single block grant. CETA was a further extension of the block grant. Revenue Sharing was seen as a Republican, states-rights case against big government while relieving the burden of the tax structure of local communities.

With this overview in mind, CETA can be seen, not as a new direction, but as a reordering of priorities among these three alternative assistance plans under a new name, with increased public attention paid to revenue sharing, while the block grants were maintained and steadily strengthened at the expense of revenue sharing.

Economic Development Administration (EDA)

The Economic Development Administration under the Department of Commerce was created in 1965 to carry out provisions of the Public Works and Economic Development Act of 1965. The Agency was charged with fostering the long-range economic development of areas with severe unemployment and low family income. It was designed to assist in the development of public facilities and encourage private efforts to create new, permanent jobs. In addition to a variety of financial assistance, grants and loan programs, EDA provided technical, planning and research assistance for areas designated as Redevelopment Areas by the Assistant Secretary.

In analyzing the role of the EDA it is useful to compare it with its predecessor, the Area Redevelopment Administration (ARA). The EDA

sought to improve upon the economic development activities of the ARA in several areas. Under the ARA, communities lacked the basic infrastructure, and industries were reluctant to locate in areas lacking public works and development facilities; EDA public works grants were used to help communities develop the infrastructure. Under the ARA, there was a lack of funds for FTE economic development staffs which caused inadequate planning and inefficient programs; the EDA legislation defrayed 75% of staff and administrative expenses and supplied funds for economic research on topics such as the causes of unemployment, underdevelopment and depression. (U. S. Department of Commerce, May 1974)

There was a dissatisfaction with the ARA assumption that the county represents the only basic unit through which economic development could be achieved, so the EDA legislation devised a broader geographic approach to economic development with regional commissions established for multi-state and multi-county district programs. The growth center concept theorized that jobs and income in the growth center would benefit surrounding areas, that residents would seek work in the center and not migrate elsewhere, and that it would be less expensive to provide benefits to the target population. The ARA requirement that programs must be administered through delegate federal agencies hampered operatives, caused extra work for personnel, and was considered too slow. The administration of the EDA was an in-house operation, except that the EDA was responsible for stimulating, receiving, and recommending applications for expenditures of MDTA funds which was controlled by the Department of Labor so that EDA lacked authority to see recommendations followed. More than half of the funds authorized by ARA were earmarked for loans to industrial and commercial enterprises in designated areas; the EDA has increased loan programs and removed the constraints precluding loans to sizeable corporations to provide an inducement for such companies to locate in designated areas. The Under-Secretary of Commerce for EDA had the authority to designate places where economic changes threaten to cause unemployment and to authorize public work grants.

The EDA shares the ARA's mission to assist areas of substantial

unemployment to achieve lasting economic gains through the establishment of stable, diversified local economy. However, a problem occurred in identifying the goals and priorities relevant to the various situations because no agreement or solution to economic problems could be found. The framers of the EDA emphasized the related goals of stemming the migration from the nation's depressed areas caused by the cycle of economic distress. The economic distress cycle follows this pattern: (1) there are no funds for public improvement to attract new industry; (2) people leave the area; (3) there is no labor to rehabilitate the area. The EDA was designed to help break this cycle, as well as to encourage expanded economic growth in natural growth centers of depressed areas by accelerating the creation of employment opportunities. The EDA stressed the stimulation of meaningful, long-range economic planning by residents of an area in conjunction with EDA financial and technical assistance.

Tools of the EDA The basic tools provided the EDA were the same as those provided the ARA: (1) public works grants and loans to improve social and economic overhead of communities and regions; (2) business loans; (3) technical assistance grants; (4) planning and administrative grants to finance full-time planners at the local level. The public works program of grants and loans emerged as the major tool for stimulating economic development in a depressed area under EDA. The EDA's Technical Assistance Program proved to be the most flexible tool for providing technical assistance for an area of substantial need and placed few limitations on the types of projects implemented, with most being feasibility studies, management assistance, and reports evaluating and recommending resource usage to overcome the economic development problems of communities and organizations.

Hence, EDA endeavored to improve upon the ARA while operating within a more flexible structure to accommodate the needs of the local development areas.

PART III:

PROGRAMS TO FACILITATE ECONOMIC DEVELOPMENT

Several sources can contribute to economic and industrial development in a community. The private sector, educators, CETA prime sponsors, and federal agencies including the Economic Development Administration all become involved in some aspect of job training and job creation. Several programs from these various agents are described and analyzed in this section.

Financial Resources for Economic Development

There are several sources of financial incentives for job creation, loans and venture capital for creating new industries and expanding existing firms. Several types of financial resources are discussed below.

Wage Subsidies. Wage subsides used as a means of inducing private sector employers to expand their work forces can be of two types: (1) hiring subsidies - programs that subsidize efforts to create jobs in the private sector by offsetting higher training and hiring costs; and (2) employment subsidies - programs that subsidize workers during the entire time of employment. These subsidies are designed to increase the stock of employees rather than the flow of labor. Subsidy programs are intended to stimulate employment growth in depressed areas or to retard migration from those areas. The problem in depressed areas is the lack of demand for products; therefore, regional subsidies are intended to increase demand by enabling firms to produce more cheaply and sell more goods. Categorical subsidies apply to selected groups of individuals, occupations, and industries, but may actually reduce a member's change of employment by signaling labor market deficiencies. The problem of hiring subsidies is that unless stringent requirements on retaining newly hired workers exist (or conversion of hiring subsidies to net employment subsidies), the hiring subsidies can provide an incentive to churn workers through a firm, giving more people a taste of

employment but producing workers whose subsequent job search is colored by the failure to be retained at the initial, subsidized job.

Wage subsidies can be a fixed percentage of each eligible workers' wages, a flat dollar amount per worker, or a fixed percentage of earnings up to a specific dollar figure. The dollar amount causes a greater shift in employment away from high-wage and toward low-wage labor in the short run as opposed to a percentage subsidy. The dollar amount subsidy induces participation in the labor force among people with few skills, but in the end, such a subsidy does not have beneficial effects on the ability of the labor force participants to earn high wages. The dollar amount subsidy (based on number of FTE employees) is less difficult to administer than the percentage subsidy (based on total wage bill). The percentage subsidy on earnings up to a fixed amount is administratively more expensive, requiring knowledge of the earnings of each employee in the firm; dollar amount subsidies are favorable due to lesser administrative costs and extra short run benefits.

According to Hammermesh, with categorical subsidies, it is important to make the subsidy simple to administer and visible to the people in charge of hiring by involving personnel workers, as in the JOBS program. (Hammermesh, 1978) Any categorical subsidy or employment voucher subsidy that employers correlate with low productivity may be self-defeting (or stigmatize groups receiving the subsidy). Hammermesh believes the better method is a general wage subsidy that pays a high amount ($5.00, for example) for each worker day of net increase in employment. This way, workers are not stigmatized, but the subsidy is biased in favor of low wage workers. It is also easy to administer and to understand by personnel.

Human Investment Tax Credits. The primary employer capable of absorbing large numbers of new employees appears to be the small employer, and employment tax credits directed to that sector can lessen unemployment as rapidly as possible without contributing new inflationary pressures and could be used as a more effective alternative to a general tax cut. Edmonds, Goldes, and Watkins

suggested that such a tax credit take the following form: (a) a $1,000 per person credit to employers for hiring additional people; $1,500 per person where the individual hired as under age 20: (b) $500 maximum tax credit per person to provide a Workshare bonus to employees who accept a shorter work week as a means of spreading the available employment; (c) a $500 credit to corporations to stimulate expanded equity ownership by employees; (d) a $2,500 maximum tax credit for self-employed individuals to balance the self employed and corporate tax deferred retirement incentives; (e) a $500 per person credit to employers for utilizing approved training programs to improve the job related skills of new and existing employees. The advocates of this credit believe it will foster investment by employers in their employees and economic stability for self-employed persons in order to increase employment opportunities, expand savings and equity ownership, and improve training opportunities. (Edmonds, Goldes, and Watking, 1977)

Tax credits are currently offered as hiring and training incentives through CETA. Through the Targeted Jobs Tax Credit Program, a part of Title VII, employers may claim a credit of up to $4,500 over a two-year period for each new employee hired from any one of seven targeted disadvantaged groups. The CETA on-the-job training programs provide reimbursement for training costs for up to half the employee's salary during the period of training. These programs have been used by many employers.

The Economic Development Administration's Business Loan Program. Providing Loans to businesses is one part of EDA's action program to reduce unemployment in specified areas. In 1969, an evaluation of the EDA's business loan program, sponsored by the U. S. Department of Commerce and conducted by Chilton Research Corportion of Pittsburgh, used a sample of 40 firms receiving $23 million in ARA-EDA loans from 1962-1967. The findings revealed that 1,817 jobs were created, 68% of which were filled by those previously employed full time, 9% previously employed part-time, 12% new labor force entrants, and 11% formerly unemployed.

The cost per job was $12,757. The average increase in individual earnings was $1,393 per employee. The number of people taken off unemployment and/or the poverty rolls as a result of the new jobs as a result of the Business Loan Program was a family man under age 35, white, a high school graduate, living in the same county and within 6 miles of the job, had lived in the same county for at least 9 years, a semi-skilled worker, employed full-time, no additional jobs, and formerly earned under $100 per week. The firm with the greatest probability of success was one that received a loan that was large relative to the ARA-EDA average, and a firm located in a relatively large town, with low manufacturing wages and a low growth rate. The mangitude of success (assuming that the firm remained in existence) depended on the size of the loan (with larger loans more successful), the education of the labor force (a better educated labor force brought more success), and the fact that the firm was located in a town with a larger percentage of the labor force in manufacturing occupations (a town that was small relative to others in the sample and characterized by higher levels of out-migration and poverty and lower growth rates). The fact that the firm was engaged in manufacturing and the quality ofthe labor force were not critical factors. The most appropriate loan size was in excess of $2 million, or four times as great as the average loan dispersed between 1962-1967 (U. S. Department of Commerce, 1969).

In terms of performance, the loan program generated aggregate benefits far in excess of costs. When the benefits were considered on all recipients, the cost benefit ratios were greater than unity. When the benefits were considered only for economically distressed persons, the program caused 520 persons to be removed from the poverty or unemployment rolls at a cost of $17,500 - $2,500 per person; however, this cost was less than the cost to society of allowing these persons (and their dependents) to remain unemployed in poverty over a lifetime. These loan programs, designed to generate economic impact by stimulating economic development, must generate an impact far in excess of that needed in order to attain the goals relating strictly to poverty and unemployment. In terms of the success of the firm and the program, greater impact was obtained in those regions that had

better quality manufacturing labor but were undergoing an economic decline as indicated by out-migration and negative growth. The reduction in competition for good labor resulted in lower wage rates which gave the EDA-assisted industry an additional and effective competitive advantage. The trend in the EDA in the late 1960s toward larger loans was considered appropriate, with loans in excess of $2.5 million each maximizing net program benefits.

Venture Capital and Economic Opportunity in the Ghetto. The lack of access to equity and other forms of financing has hampered the development of minority businesses, according to Mason and Braswell. Most minority-owned businesses that have come into existence in recent years have developed and financed through loans from banks, the Small Business Administration, community and local development corporations, and various other private and public agencies (except for a few selected Minority Enterprise Small Business Investment Companies (MESBICS). Venture financing is unavailable for the black entrepreneur because of the lack of interest on the part of the venture capital investors who lack confidence in black entreprenuers, and because of the lack of knowledge on the part of the minority entrepreneurs as to the nature of the venture capital industry. Venture capital is defined as that form of financing that accepts high risks and in which high returns are sought, such as investments in start-up ventures, or existing businesses seeking capital for growth and expansion or to remain competitive in the industry (Mason, Anthony and Braswell, Robert, 1972)

Venture capital sources include private venture capital investors who are active in the development of small enterprises needing growth capital or that are for sale due to the owner's death or retirement. These small enterprises need professional management to exploit their potential, and the investors have a high degree of flexibility in operation and can tailor their agreements to meet special situations. These investors are dedicated to long-term capital appreciation and investment, and they invest funds in participation with others to enable a small company to have the financial flexibility for growth in size and profitability. Another source of capitalis the Small

Business Investment Companies (SBICs) which are federally regulated. They came into being with the passage of the SBIC Act of 1958 and the number of SBICs soon increased to more than 700 before failures, mergers, and acquisitions reduced that number to around 300. Federal regulations determine the terms of SBIC command a high leverage of capital through the use of loans from the SBA. These SBICs have only recently been used to any extent by black entrepreneurs through the formation of Minority Enterprise Small Business Investment Companies.

The venture capital business is a high-risk, high-return operation, and the use of venture capital financing may entail giving up a substantial percentage of ownership in the business, anywhere from 40% to 90%. To some venture capital investors, a good idea of worth 20% of the new enterprise with successful ideas carrying the load of failures. Each investment involves a high risk and must have the potential of multiplying tenfold in five years. The entrepreneur can expect to receive initial financing, additional financing if required, managerial assistance, overall financial counseling, contacts, and general business advice and guidance. The venture capital investor is a partner, and there must be a compatible working relationship. The amount of equity to be relinquished depends on what the entrepreneur brings to the deal in his own capital and management talent.

Private Sources of Money. One means of alleviating pockets of high unemployment and low economic growth is to tap potential sources of private funds. For example, The Wall Street Journal (30 March 1981, p. 1) reported on the City Venture Corporation, a Minneapolis-based group of firms whose principal stockholder is Control Data Corporation. "Although two-year-old City Venture hasn't created any jobs yet, it has gotten commitments for jobs at Toledo, Ohio neighborhood revitalization program from such firms as Owens-Illinois, Inc. and Libbey-Owens-Ford Co." The article reported that the City Venture proposal for Liberty City (a Miami, Florida ghetto) would cost several millions of dollars and is aimed at creating 4,000 jobs over the next five years. Using computer educational systems, City Venture trains participants in basic skills

such as reading, writing and arithmetic, as well as how to interview for and keep a job. It is also designed to help minority entrepreneurs obtain loans and run businesses.

Job Training Program

Job training contributes to economic development in a community by providing a supply of skilled labor which will in turn attract new industries and encourage firms already established to expand.

According the Manuel Zymelman in his book The Economic Evaluation of Vocational Training Programs, training for industrial occupations in vocational schools is a recent phenomenon. Since World War II, automation and unemployment in developed countries and demand for skilled manpower to develop emerging nations have necessitated the determination of the most effective methods of training. The vocational school is the favored tool of developing countries, offering the most accesible type of training and the method least encumbered by administrative and operational obstacles.

As to which vocational program is the best, the issue is not which method is more cost effective but rather under what circumstances one type of training should be chosen over another. Both economic and institutional factors determine the choice. Economic assessment focuses on the average cost per graduate, affected by the scale of the operation, the existence of other programs on the same premises, and the nature of laboratories and workshops needed. When the technology requires high fixed costs, average costs will decrease as more students are included in the program, or as enrollment in related programs which share the same resources increases, thus increasing the utilization of facilities and equipment. The average cost of a program depends on the enrollment and mix of programs offered by the institution, on the kind of equipment needed, and on the nature of instruction.

A firm's decision to offer training in a plant will depend on the cost of the training, the trainee's wages, and the profitability to

the firm. For example, high wges make on-the-job-training expensive and is more conducive to classroom training. Slight differences between the wages of skilled and unskilled workers militate in-plant training. However, imperfections in the labor market such as lack of competition or restricted dissemination of market information make in-plant training viable. Companies initiate programs to generate goodwill or for political purposes, encouraged by government action such as subsidies, tax incentives, or administrative machinery for allocating public resources. Institutional factors influencing a choice or mode of training include the rate of unemployment, the level of wages, the entry requirements for the job, and the attitudes of a firm or union. The choice of a program is determined by the availability of a well-planned curriculum and competent administrators and teachers.

On-the-job-training. On-the-job training (OJT) is defined as learning to perform tasks while performing on a production line, or learning by doing. More formal programs have an instructor whose principle responsibility is to teach groups of trainees to perform certain jobs in an efficient manner; the training period may be brief or one to two years. Often the program is self-paced, enabling the trainee to learn as rapidly as he is able. In large firms the supervisor spends considerable time in training as substantial number of trainees. In small plants, where the number of trainees is small, an employee may be asked by management to show a new recruit how to do a job, and the new employee learns by observing. (Zymelman, 1976)

The advantages of OJT are numerous; the trainee has a job and an income and does not have to be concerned with finding work after he completes his training, nor must he chance being trained for an obsolete skill. The trainee can learn at his own speed, neither being pushed to maintain a difficult pace, nor bored by repeating mastered tasks. Where jobs are arranged in a promotional hierarchy, OJT in a helper-worker relationship becomes a process of upgrading, thereby facilitating the possibility of promotion. In addition, the intellectual requirements of the trainees are minimized since the worker can be taught the job by being shown what to do and the

instructor can readily adapt his teaching to the aptitude and needs of the trainee without being schooled in pedagogy.

There are advantages for the employer as well. The organization or employer within the context of OJT has the opportunity to instill desirable work habits such as appropriate attitudes and shop discipline; hence, the OJT becomes a orientation period for job skills and deportment. In addition, OJT reduces the danger of training individuals to use obsolete methods and machinery because modern equipment and current trade practices are automatically available, though too expensive for training schools. The worker is training for a specific job with his employer, becoming valuable to the firm, but not necessarily available to other companies, thus reducing costly turnover. Trainees make a positive contribution to output early in the training period, especially where a helper-journeyman relationship is adopted. When specialized skills need to be taught to a small number of persons, even one or two individuals, no effective alternative can be found to OJT without incurring exorbitant costs; and in OJT the financial burden is shouldered by those directly affected (the firm and the individuals) as opposed to public vocational schools which involve a direct cost to the government via public outlays for education.

However, disadvantages to OJT can be identified as well. Training can be disruptive to the production of a plant since a given machine is not as productive while being used to instruct a trainee, and the supervising worker or foreman is diverted from his normal duties while giving instruction. Thus, OJT is most practical when the ratio of trainees to employees is small, thereby limiting the amount of disruption and making the extra costs more easily absorbed. OJT has a relative advantage over vocational school training when the particular occupation requires only a low level of skill. However, when an occupation demands theoretical knowledge, a classroom situation is needed, perhaps in combination with OJT. Workers trained on-the-job learn tasks and procedures peculiar to a single employer which can be a disadvantage when seeking work elsewhere; hence, OJT restricts job mobility and job opportunities in the long-run, through

job opportunities in the short-run may be enchanced. Finally, OJT presupposes the fact that the trainee is already employed, which in turn assumes the presence of industry and jobs, a condition frequently absent in developing nations and economically deprived areas in the United States. In the absence of jobs and industry, the training of manpower must occur outside the worksite.

Training Off The Job. Training off the job sometimes called "vestibule training" may be offered in a shop class (used to provide practical experience needed for job training) or a regular classroom (used to teach general vocational knowledge). Such training is broad in scope and can be used to impart vocational knowledge of immediate use at work, knowledge that must precede work, and knowledge useful over the working life of the trainee but not needed immediately. In addition, refresher courses may be designed to sharpen academic skills such as math or reading or related instruction such as shop theory, and vocational skills not taught on the job due to technical or financial problems of lost production time.

Training off the job can take place in a variety of settings. Public vocational schools (part of the regular public school system offer training in such basic fields as woodworking, machine shop, electrical work, and auto repair, with the student specializing in a selected area after a period of orientation in various types of work. The student spends a substantial amount of school time learning about and performing on specialized equipment in the shop, plus taking courses related to his speciality such as shop math and blueprint reading. Vocational school programs usually run for two to three years. Instructors usually are required to have several years of experience in the trade. In many countries students are assigned to a vocational school as opposed to a college preparatory school on the basis of examinations, while elsewhere the selection is left to the students with advise from guidance counselors. Where the vocational program has a good reputation, students who are manually oriented make a positive choice; elsewhere, it becomes a dumping ground for academically less qualified students.

Company training is conducted in facilities apart from the productive process in a special room in the plant or in a separate building depending on the size of the program. Here the students are normally assured of a job with the company upon successful completion of the course. The basic shop courses train workers in the use of the firm's equipment with related instruction being offered if relevant to the required skill. The company may either set up the equipment in a shop class, or may allow the trainees to use regular production equipment in off-hours to minimize disruptions.

Skill or training centers offer shop classes and related instruction in one or more skills, excluding academic courses, to persons who have finished their legally required schooling either by graduating or dropping out. These centers may be sponsored by a government agency or by a group of employers or an industrial association; if government sponsored, the center probably offers programs for occupations in short supply and the trainees are broadly trained to meet the needs of a variety of firms and industries; if industry sponsored, the center tends to offer more narrow training for occupations specifically needed by the industry. An industrial group is more likely to finance and sponsor a training center when the average firm in the industry is not large enough to support its own in-plant program.

Private proprietary schools, which are profit-making organizations, offer training programs for occupations in great demand and likely to continue growing. The courses are geared to students who have completed the legally required years of schooling, and training is limited to a few areas. The facilities include classrooms where related instruction is offered and shops which contain rather simple or obsolete machinery, with the assumption that the able graduate can learn to handle any new machine after a short time on the job, given a broad exposure to the trade.

Training off the job provides several advantages. It represents preliminary instruction prior to embarking on more complex skills in a plant in the form of vocational or technical knowledge based on an

organized systematic body of theory, as a means of preventing injury to the trainee, damage to equipment, or waste of materials, and as a means of preparing the worker for additional training he may get on the job. The program produces a broadly trained individual who can apply his skill in a variety of work situations and is able to meet problems with discretion, thereby fostering greater job mobility. Public vocational schools have the advantage of being able to offer general academic courses in addition to vocational training, with the programs generalized beyond the confines of particular traditional skills so that a trainee learns more than one trade, specializing in only one toward the end of the program. Off-the-job training programs can handle larger numbers of trainees at lower costs and the centers have the technical know-how and the economic wherewithal to direct the training through employing training specialists, something beyond the capacity of the single employer. Such training is flexible enough to offer courses at all times of the day or week on both a full-time and part-time basis, thus inviting widespread participation by both youths and working adults.

Disadvantages to training off-the-job occur when the size and location of firms or the characteristics of the local labor force result in a small number of students. Such training off-the-job may be extremely expensive per trainee. Since such training requires instructors who are both skilled craftsmen and schooled in pedagogy and who may be alternatively employed in production or supervisory work, an instructor's time may be underutilized if solely used as a classroom or shop teacher, as in training off-the-job. On the other hand, OJT offers the cost advantages of the fully utilized worker who can teach and work concurrently. Training off-the-job requires additional personnel to teach the skilled craftsmen the techniques of pedagogy needed to become effective vocational teachers. Private proprietary schools have the drawback of high tuition costs that exclude low-income families. Vocational schools are often too theoretical and not job related, and graduates are not ready to enter the production process; their inflexibility stems from obligations to teaching staff and the commitment represented by the purchase of expensive equipment. The cost of revising curricula to meet changing

techniques and developing resources for job placement is significant, and graduates face the necessity of finding a job and the possibility of unemployment after the program is completed, a compounded economic waste.

Combined Types of Training. Some programs combine some aspects of OJT and training off-the-job. They assume three basic forms: Apprenticeship is a formal program with a prescribed curriculum of predetermined duration, combining training at work with formal, mandatory related instruction conducted in a classroom or shop class off the job. At the same time, there is an obligation by the employer explicitly to provide training in the tasks necessary to produce a well-rounded journeyman and implicitly to employ the apprentice when his training is completed. The successful trainee receives a certificate that can be used much like a high school diploma as evidence of proficiency in a given trade. Generally, apprenticeships are limited to a relatively small number of skilled crafts called apprenticeable trades, including skilled occupations in construction, printing, and machinery (elsewhere in the world, apprenticeship training can also apply to many semiskilled and white-collar occupations). Usually apprenticeship programs are supported and developed by employers or employer associations, although there is frequent support by both the government and trade unions. In many Western European countries, the related classes are often held during scheduled work hours, with apprentices on released time with pay; however, in the U. S. the common practice is for apprentices to get related instruction on their own time, usually outside working hours in the evening or Saturday morning.

OJT Plus Related Instruction combines some related instruction given off-the-job with a specific form of training on-the-job, usually because the nature of the training or skills needed for the occupation requires specific related courses. Frequently, the trainees take the courses on their own time and at their own expense. In other OJT programs, related instruction is recommended but not integrated with the training on-the-job and is used only as a broadening element in the development of workers.

Cooperative-worker training and "sandwich" courses are the third type. Cooperative work training occurs when mandatory classroom attendance in public schools is combined with OJT, especially with young trainees whose formal education is still incomplete and who must spend more time in the classroom than do adult workers to achieve a high school diploma. Such programs involve the cooperation of the school and employer since the trainee spends part of each week in school and the remaining time at work receiving training, often with pay. The school work includes shop courses and related instruction in the area of the trainee's occupational interest, in addition to academic courses. "Sandwich" courses are a common variation of cooperative work training whereby an adult with a regular full-time job is given time off from work to take vocational courses geared to a specific trade or job or to upgrading, which provide additional training to workers who cannot afford to relinquish their jobs or to lose time. Generally, the cost of such courses is borne by the employer.

Combined types of training are best in many situations. Apprenticeship has the advantage of being recognized as the official training program by employers, public authorities, and trade unions, and the apprentice receives a certificate conferring top priority in the competition for jobs since it is assumed that he possess the necessary skills to perform his trade adequately with little or no additional training. Many countries have a test of competence at the end of the apprenticeship period, conducted by an independent authority, leading to a nationally recognized credential. Where the theoretical aspects of an occupation are critical to the skill but cannot be taught economically on-the-job, there is no alternative to combining OJT and training off-the-job. To train a versatile worker who is capable of performing different tasks for a variety of employers with disparate requirements, it is essential to combine OJT with classroom courses off-the-job; with OJT alone, the individual would have to rotate among employers to gain the maximum exposure to the work of his trade, and such rotation can be difficult to implement with the trainee still not necessarily encountering the full range of

experiences desired.

To their disadvantage, apprenticeship programs tend to have a longer duration than appears necessary in terms of the theoretical and technical knowledge required for skilled crafts (though the length of training may be necessary to enable an adolescent to adapt to work in a factory). At the same time, some trade unions use the apprentice system to limit the supply of skilled workers. Cooperative programs require good coordination between schools and industry and intense supervision to ensure that trainees are not relegated to menial tasks; this coordination and supervision is difficult to achieve. These cooperative programs require the assurance that reliant jobs will be available to participants, something that often cannot be guaranteed.

Categories of Training and Upgrading Programs. Jules Cohn lists three categories of training and upgrading programs based on the 247 major urban-based companies (Fortune 500) interviewed as to their corporate efforts in urban problem solving. About one-third of these companies hire the hard-core unemployed and about half of these provide special training and upgrading programs, most with government funds. Among the industries participating are the aerospace companies (with government contracts), financial institutions (cash heavy industry), and computer manufacturers, with the need for unskilled workers being the best incentive for providing such programs, a need more essential for certain industries than for others.

These three categories of training and upgrading programs used by industry include OJT, vestibule and a subsidiary method. On-the-job training is the most prevalent of the training and upgrading programs; half of the companies offer on-the-job training.

In Cohn's study about 18 out of the 247 companies studies used the vestibule or off-the-job approach, which are less costly than OJT in the long run. The subsidiary method, an approach which utilizes wholly owned subsidiaries of large corporations or subsidiaries destined for eventual ownership and management by community groups, was the least used type. Cohn's study found 11 companies out of 247

that set up subsidiaries, such as Aerojet-General's Watts Manufacturing Company (Los Angeles), North American Rockwell's NARTRANS (Los Angeles), and a subsidiary of Control Data Corporation. The number of employees trained in these programs is small, but the climate of acceptance and understanding is the best milieu for training hard-core hires. (Cohn, 1970)

Categories of Training by Type of Coordination. According to a Department of Labor publication (U. S. Department of Labor, Region III, February 1978) the various manpower training and upgrading programs can also be categorized by the nature of the organizing or coordinating agent or agents. Five types of coordination are listed. With single agency efforts at coordinating economic development, CETA prime sponsors initiate economic development activities without any involvement of other public or private institutions. This is easier than sitting through meetings to coordinate one agency with another, and there is a greater chance of the outcome equalling the goals. The constraints are a lack of sufficient funds to initiate such a project and the impossibility of diverting CETA funds from other uses to make economic development possible, as well as insufficient staff time or experience to plan or to implement economic development.

Institutional coordination means that two programs administered by a single organization have a firmly established link formed between two or more development institutions. Program Coordination often overlaps with institutional coordination and exists when two or more programs are planned or jointly implemented, with the integration among the programs occurring on city-wide or county-wide basis or on a project-by-project basis. This joint program planning may result in the development of customized OJT programs targeted to expanding firms in an area or to firms re-evaluating a location decision. The coordination between public and private development efforts can involve either joint information of overall economic development policies or joint planning and implementation of specific projects.

In funding coordination, funds from separate program budgets are combined to fund unified or coordinated projects. Often, one source

of funding can "leverage" (one resource base is used to stimulate the use of another) another source. The restrictiveness of limitations on the use of funds of various programs can be reduced by coordinating. In functional coordination, funds from one development budget are use for purposes associated with another development program. This does not imply joint planning or implementation of different development programs, but sometimes the only overlap is the activities among development programs. This may lead to substantive links among development programs in cities where overall planning and coordination of development programs is a priority.

Department of Labor Incentives. An overview of the CETA programming has already been delineated in Part II of this report; however, the youth incentives as a specialized potential for economic development are included below:

Youth Incentives. Title III of CETA was amended to include the Youth Employment and Demonstration Projects Act (YEDPA) which added three new programs.

The Youth Incentive Entitlement Pilot Projects (YIEPP) Program was designed to help economically disadvantaged youth to complete high school by guaranteeing year-round jobs (20 hours during school, 40 hours during the summer) if they agree to attend high school, to return to high school, or to enroll in an equivalency education program. All participants must come from poor families. Youth Community Conservation and Improvement Projects (YCCIP) sought to develop the vocational potential of jobless youth through well supervised work of tangible community benefit, such as community planned projects lasting up to one year under the supervision of a skilled worker. This program encouraged the coordination of school systems and job sponsors and the subjects received academic credit when possible. Youth Employment and Training Program (YETP) sought to enhance the job prospects and career preparation of low income youth 14-21 who encountered problems entering the labor market. 75% of YETP funds were available by formula to CETA prime sponsors; of this, 22% was designated for in-school projects. There was a 12-month maximum

duration for enrollment in YETP programs. Services included basic education, labor market information, literacy and bilingual programs, GED, transportation, child care, apprenticeship, OJT/institutional training, placement, and others.

Young Adult Conservation Corps (YACC) under Title VIII provided youth experience in occupational skills through productive work on conservation and other projects operated cooperatively between the U. S. Departments of Labor, Agriculture, and Interior.

Summer Youth Employment Program (SYEP) provided basic work experience for disadvantaged youth 14-21, such as vocational exploration and other enrichment services. This program has reached and affected the lives of many more economically disadvantaged youths than has all the others combined.

YEDPA established under the Employment and Training Administration of the Department of Labor an agency with both program and policy research responsibilities. According to Hahn (a) research dealt with a heterogeneous target population; (b) the data base in YEDPA was more extensive than in any previous research effort, involving considerable investigation into the basic causes and dimensions of youth joblessness and special demonstrations and evaluations of the program models for selected groups; (c) YEDPA programs provided comprehensive and experimental designs with two components: impact survey (revealed economic and noneconomic effects of programs on participating youth during and after the program), and process analysis (charted administrative processes, the ease of implementation, management and coordination, the advantages of delivery agents, institutional change,and others; (d) YEDPA programs were structured to answer many secondary themes of significant policy importance. (Hahn, 1979)

HIRE I and HIRE II. The Help through Industry Retraining and Employment Program (HIRE), authorized in 1977, consisted of two parts, HIRE I and HIRE II. HIRE I provided $40 million in funds which were administered at the national level by the Employment and Training

Administration (ETA) of the U. S. Department of Labor. About 13,300 persons were employed as part of the HIRE I reimbursable program of December 31, 1979.

HIRE I was instituted as a private sector, OJT training program for Vietnam-era veterans, economically disadvantaged youth, and the long-term unemployed, with a choice of contract or volunteer basis. Under a contract, the organization would be reimbursed for 50% of the hourly wages paid to trainees in exchange for hiring and training 15 or more eligible individuals for full-time permanent positions at $3.50 per hour. Under the non-contract basis, the program would be voluntary, with no federal funds, no restrictions on hiring, but special recognition by the federal government. HIRE I was disappointing to many, with only 11% hired under contract basis. Business apparently was not interested in making a firm commitment, and the 50% wage subsidy evidently was not a sufficient incentive to business.

HIRE II authorized $90 million which was administered through ETA regional offices and operated by 300 CETA prime sponsors. Each prime sponsor was given at least $60,000 to develop on-the-job training contracts with local employees. As of the end of fiscal year 1979, over 30,000 persons had been hired.

No additional funds were made available for HIRE. All grant periods expired at the end of fiscal year 1980.

The Skill Training and Improvement Program (STIP) was authorized under the Economic Stimulus Appropriations Act of 1977. Prime sponsors were invited to compete for funding for projects demonstrating the use of longer term classroom-oriented training for the economically disadvantaged. STIP emphasized private sector involvement in designing and implementing these activities. As a CETA Title III demonstration program it provided the basis for the later Private Sector Initiatives Program (CETA Title VII).

STIP was funded in two parts. STIP I provided $143 million to

141 prime sponsors. STIP II gave $158 million in funding to 165 prime sponsors. During the last funding period in the first quarter of fiscal year 1979, 41 grants were awarded totaling $24 million.

STIP provided 18 months training for highly skilled jobs needed in private industry, such as the making of eyeglasses and contact lenses, setting up precision machining equipment for a helicopter plant, operating electronic controls for rapid transit rail and subway systems, and supervising carpentry and weatherization crews.

According to Stevenson, the STIP premises were the following: (a) trainees have the best chance of gaining jobs if the local employers help design and operate the programs from the start; (b) CETA can and should train disadvantaged persons for jobs that require more extensive training than prime sponsors provide under Title I; (c) STIP provides upgrade training for workers already employed in private industry and skill training to move the unemployed into jobs. Prime sponsors could use half of the STIP allocations for upgrade training, provided that the employers agree to provide higher level jobs for the upgraded employees and to hire CETA participants for the jobs vacated by the upgraded employees. STIP training lasted 6 to 18 months, consisting of classroom alone or in combination with OJT training, but the ETA emphasized the need for classroom training. (Stevenson, 1978)

Private Sector Initiatives Programs The private sector played a limited role under the 1973 CETA law. In 1977, less than 10% of the federal employment and training involved private business. Under the reauthorized CETA Title VII, the Private Sector Opportunities for the Economically Disadvantaged, the chance for the disadvantaged to work for a private employer while receiving OJT was expanded to integrate the private sector into the development and implementation of CETA. The purpose of Title VII was to interject the expertise and energy of the business community into mainstream federally assisted employment programs since business had complained that they were the last ones consulted on policies.

Under Title VII, the prime sponsors established Private Industry

Councils (PICs), which are composed of labor and business leaders as a means of securing contract pledges from private employers to hire the disadvantaged and to advise the prime sponsor on ways of increasing private sector linkages in other CETA programs. The Targeted Jobs Tax Credit (TJTC) and the Private Sector Initiatives Program (PSIP) were also added to Title VII of CETA to give the private sector specific incentives to provide job opportunities for the economically disadvantaged and to counter complaints of "red tape." Success was contingent on business reaction.

Comparing Manpower Programs and Vocational Education

Manpower Programs are short-term education-for-work programs, such as CETA, which are designed to meet the needs of the out-of-school target population. Vocational Education Programs are education-for-work programs designed for those still in the school system and for those who re-enter the system through postsecondary vocational technical schools and community colleges. Vocational Education Programs are operated as a federal-state partnership for youths 15 to 20 years old and older adults. The states receive money from the Department of Education and the state boards of education in the various states provide funds to city and county boards to develop and conduct vocational education programs.

Vocational education and manpower programs are intended to meet different needs, but they often overlap. Programs in CETA often duplicate vocational education classes. For instance, both organizations might offer welding classes in the same community. Thus, some kind of linkage or coordination between CETA and vocational education would be useful. Some officials have even proposed merging the two systems.

Suggestions for Coordination Talk of a proposed merger of vocational education and manpower programs brings mixed reaction from both camps. Duane R. Lund recommends greater utilization of the existing vocational education system in meeting the goals of manpower programs. The problems of duplication cannot be solved by putting the

emphasis on manpower training programs at the expense of vocational education programs. If this occurred, according to Lund, schools would be relieved of the responsibility of providing vocational education, and students who need the programs would have to enter manpower training programs outside the school system, thus encouraging unemployment and dropouts from high school. Hence he believes the merger of the two systems is not the answer; rather, it is necessary to maintain open lines of communication, recognizing differences and similarities and improving coordination. (Lund 1976)

Present and Past Conflicts The relationship between vocational education and Department of Labor manpower programs was uncomfortable under MDTA, and this distrust has grown since CETA was passed into law in 1973, ccording to Duane Lund. This distrust is caused by old prejudices and a lack of communication and understanding ccompanying these attitudes.

A survey of 100 CETA prime sponsors yielded the following conclusions. The prime sponsors felt that CETA has not significantly imparted on instutional vocational education.

Confusion and lack of understanding among local prime sponsors about the system of institutional vocational education was noted; this may be due to a lack of direct involvement prior to CETA. Communications between states and local prime sponsors, necesary for CETA to positively affect the provisions of institutional vocational education, are seen as indequate. CETA Title I money is not being used to any extent to increase training being porvided at existing vocational education institutions. The prime sponsors reported that the system of negotiating non-financial agreements with a state for the provision of vocational education training and services through the use of the 6% supplemental vocational education funds does not afford the local prime sponsors adequate flexibility. CETA rules and regulations are vague regarding the allocation of the 6% funds within states.

The confusion, complexity, nd restrictions of local prime sponsor

flexibility caused frustration among local prime sponsors made it difficult for the 6% funds to have an impact within local jurisdictions.

The National Advisory Council on Vocational Education (NACVE) sponsored conferences in the mid 1970s in an attempt to open communications between the vocational educators and the CETA prim sponsors by defining the problems over issues such as power, territoriality, ideology and philosophy. Vocational educators feel that they have valuable experience in skill training and development which, if ignored, leads toduplication and a dual system of education. Many CETA prime sponsors feel that vocational educators have failed to meet the needs of CETA's client population and that new and more effective delivery systems must be devised. On the other hand, many vocational educators feel that CETA programs are ineffective, based on political expediency, often leading to dead-end training for dead-end jobs. The 6% set-aside funds used for services provided by vocational education elements and CETA prime sponsors (designed to foster cooperation nd avoid duplication) have been a source of confusion; each side has looked upon the 6% set-aside as its own money. Out of conferences, communications and hesitant recognition and respect each for the other is creating an awareness that cooperation can yield mutual benefits for both programs and clients.

Department of Commerce Incentives

Job training, as mentioned in previous sections, develops the supply of skilled labor for an area. Training programs by themselves may not encourage the creation of enough new jobs to employ all those trained. Added incentives to industrial development and expansion come from the U. S. Department of Commerce, Economic Development Administration (EDA). One EDA program designed to promote economic development is the Economic Development District Program.

The purpose of this program is as follows:

1. To decrease unemployment within each district, particularly those areas where it has been highest in relation to the labor force;

2. To increase family income within each District;

3. To establish more stable and deversified District economies by enlarging the export-oriented sectors by attracting and expanding firms nd by improving the efficiency and effectiveness of local-oriented sectors;

4. To improve the district's basic environment by creating wter, housing, sewage systems, by encouraging the development of effective industrial development groups, and by improving systems of communication and transportation;

5. To increase the quality and to expand the opportunities of human resources in the district by improving education and by increasing the ease of access of all residents to employment by reducing discrimination.

Some characteristics common to Economic Development Districts (EDD) include the following. Districts should be the proper size to permit effective planning and development. Districts should contain at lest two redevelopment reas. Districts should include a center of economic growth. The EDA should officially designate Districts.

There are several reasons behind the Economic Development Districts Program. Many individual redevelopment areas lack sufficient resources to provide a solid base for development; by grouping these areas within a EDD, the EDA hopes to foster more successful development programs. Local planning should be augmented by programs that consider and deal with areas larger than a single county. Effective multi-county district development programs are best prepared by full-time professional planning staffs working with local leaders. By grouping several counties into an economic development district, a larger base of resources in provided which, with EDA assistance, is adequate to support qualified staff capable of serving an entire district.

The EDA makes several important resources available to economic development districts. Planning assistance is given for maximum use

of all resources in the preparation of an overall Economic Development Program. The EDA provides technical assistance by paying for research, feasibility and market studies and project planning related to development programs. Project financing, such as grants and loans for public works and development facilities and business loans, is provided.

Overall Economic Development Program (OEDP) The Overall Economic Development Program (OEDP) is a locally initiated planning process designed tocreate employment opportunities, foster more stable and diversified local economies, improve local conditions, and provide the mechanism for guiding and coordinating the efforts of local persons and organizations concerned with economic development in a district. The OEDP Document provides a basis for meeting the statutory requirement that public works and business development projects funded by the EDA be consistent with the approved overall program for the economic development of the district. EDA approval of the initial OEDP Document, the first report submitted by the district, is a prerequisite to official action by the EDA on the designation of the district and its selected economic development center(s), an act which confers eligibility upon the district and its center(s) for public works and business development projects. The OEDP document describes the district's OEDP and charts a course for development action, examines problems, needs, and resources of the district, and sets forth the goals of the development program and a strategy for achieving those goals. Approval of subsequent OEDP Annual Reports continues the eligibility status of the district for an additional year.

The OEDP document covers the following subjects:

1. Administrative organization, including legal structure, membership, and the organizational arrangements of district structure.

2. The historical assessment of past development efforts, including preceding OEDP document with an explanation of fulfilled

and unfulfilled goals.

3. The district and its economy, with an overview on natural resources, the infrastructure, transportation, land use, human resources and labor profile, and financial resources.

4. The selection of the economic development center focus on solutions to problem in nearby redevelopment areas and to assist the target population to overcome unemployment and low income; in selecting a center, considerations are given to proximity and accessibility to redevelopment areas, sufficient size, growth, provision of regional services, and participation in the district program, as well as an evaluation of the center's role during the past year.

5. The potentials for economic development, such as under utilized human and natural resources, proximity to resources, basic industry, markets, the condition and capacity of supporting utilities and transportation systems, education, health, and cultural facilities, environmental and climatic conditions, the attitudes of the public toward growth and development, and the quality of places to live and work.

6. The Development Strategy and Plan for Implementation, such as program or project selection, program considerations include comprehensiveness, proposals, sufficiency of resources, implementing agency, federal criteria, cost and source of funding, and the development impact, course and plan of implementation.

The Title X Job Opportunities Program. (U. S. Department of Commerce EDA, May 1977) Another EDA program for economic development of communities is the Job Opportunities Program. This program was part of the Public Works and Economic Development Act and was signed into law December 31,1974, authorizing $500 million for EDA to provide financial assistance to stimulate job-creating activities in areas of high unemployment. Title X was carried out in 1975, for example, with funds allocated for 2,200 projects. This legislation was designed to correct deficiencies in EDA's Public Works Impact Program (PWIP); an inability to satisfy that program's major goals of providing jobs for

the unemployed. Under Title X, federal departments were to survey programs capable of generating employment opportunities quickly; thus program flexibility would be ahcieved through a variety of project types, not just public works. Skills needed for project implementation must be found within areas of those projects and specific deadlines levied on program implementation. Title X legislation was passed with these modifications: The Secretary of Labor was intorduced into the process whereas originally the Secretary of Commerce was solely responsible, and the program was jointly administered. The first funding priority was given to projects most labor intensive and one-half of the funds on projects 75% labor intensive. These modifications favored public service projects (employment through temporary hiring of workers by public and quasi-public agencies) over public works projects (employment through construction and the like of public facilities), contrary to the original intent of Title X.

According to an evaluation reported by the U.S. Department of Commerce Title X was administered in two phases. The first was a period of delay and conflict among the parties involved, with the Departments of Labor and Commerce not agreeing on the allocation mechanism and the OMB proposing modifications and conditions which further delayed implementation. A second period of more delay and conflicts to a lesser degree was caused by OMB demands and the compromises involved. According to this 1977 evaluation of Title X, the key players in the administration of Title X included the EDA, the principal operative of the Commerce Department, the Department of Labor, the Secretary of Commerce and the Office of Management & Budget. The EDA performed satisfactorily in allocating the first appropriation but was deficient in not correcting the allocating procedure during the recession request period; the EDA survey form had instructions not sufficiently targeted or complete to elicit satisfactory responses and enable the EDA to fully understand the projects proposed. The success of the Department of Labor's efforts to assist the Commerce Department in implementing Title X were mixed. (U.S. Department of Commerce, 1979) Recommendations from the evaluation included the following: (a) to avoid the delays associated

with creating a new counter-cyclical employment program, legislation should be approved during a non-crisis period, establishing a federal policy and creating programs necessary to combat the problem, with implementation of the program automatic at a certain level of unemployment, thereby bypassing delays; and (b) plans for implementing future counter-cyclical employment programs should be formulated to avoid delays. (U. S. Department of Commerce/EDA, April 1977)

Rural Economic Development. Rural areas are often the most in need of economic development assistance. CETA and EDA have addressed this need with several programs for job creation and industrial development assistance.

Rural Job Creation. A review of the literature reveals a need for economic development in rural areas where residents have suffered from shifts in the rural economy. The nation has moved from an economy based on agricultural resources to an industry-based economy, and rural residents have been forced to adapt to this by relocating to urban centers and changing lifestyles, with a profound effect on American society. Social scientists have examined ways in which the rural environment may be managed to provide a livelihood for the remaining rural citizens. As stated earlier in Part I, there are at least five elements in economic development: (1) materials; (2) money; (3) markets; (4) manpower; (5) management, with (4) and (5) falling within the domain of CETA, and (1), (2), and (3) obtained from non-CETA sources, which necessitates a collaboration with other ogranizations, including the private sector. The natural resources base, social overhead capital, human resources, legal constraints, cultural and community attitudes, and the leadership of the rural communities combine to impact on the community's economic development program, and CETA must operate within these parameters. CETA contributions to economic development have the potential for increasing the participation of CETA clients in the local economy, but rural CETA operators have been frustrated at their inability to address the basic employment needs of the rural poor. In the long run, the creation of jobs which accompanies economic development perhaps is the best way to resolve this problem. CETA program

operators can enhance their own success by actively pursuing effective linkages with other agencies engaged in community economic development efforts.

The factors that CETA operators must address support of economic development activities in rural areas are numerous, the most important being the social and cultural characteristics within the community and the compatibility that the program has with the community and the environment. One such factor relates to population characteristics of a rural setting with farm employment declining and with the remaining employment in light manufacturing and government services, such as public school employment.

The political environment is another factor which warrants consideration. Often local government resists efforts in the following ways: (1) inability to secure venture capital from local banks; (2) the difficulty in overcoming zoning, and regulatory authorities; (3) the difficulty in accessing markets for the goods produced; (4) the difficulty in affecting good working relationships with agencies providing needed resources.

The cultural values of the community also affect economic development activities.

Resources or the lack of resources available to a community are also a consideration. Poor roads and limited public transportation cause isolation and limit access to markets and raw materials. Also, restricted agency resources often limited to (community action programs and public schools) are due to a low tax base.

CETA's role in rural economic development is limited to the provision of manpower or the training of manpower, with the training divided equally between classroom training and on-the-job training. Since CETA funds cannot be used for venture capital, elaboration in an earlier section of this document, interagency coordination is needed to link CETA with economic development and provide adequate resources for success, with at least three agencies (including at least one a

community-based organization) working together.

In a recent study by Bruno and Wright four conceptual models for economic development were suggested.

Income Generation Model, is the most interesting and the most frequently demonstrated model. Here, CETA activities are limited to PSE and work experience, with training a lesser role. CETA provides the manpower to produce saleable goods and services, which in turn generate revenues which enable the economic program to become self-sustaining. CETA participnts are employed, making further CETA subsidies unnecessry. The need for venture capital to purchase equipment and operating expenses is critical, and community leaders and elected officials are important as partners.

In the Infrastructure Model, CETA applies the employability development process to achieve the provisions of facilities and resources essential for economic development as well as employability development. The CETA ctivity employed here is PSE or work experience, or a lesser level OJT, to provice the manpower needed to construct Industrial parks or to expand the social overhead and enhance the environment conducive to economic expansion. The "brick and mortar" money is available through a community development corporation or Federal grants (EDA or Community Services Administration (CSA) can be sources of venture capital). In this way, community leaders and elected officials are not essential. This model is contingent upon the existence of a local economic development group like the Chamber of Commerce or a local goverment active in soliciting new business to an area. This is the most expensive model to operate and the most difficult to justify, but generates popular acclaim for the CETA prim sponsor.

When using the Promotion Model, CETA advertises its ability to serve employers by providing training, screening, or assessment services, and the private sector employer. Community leaders and elected officials assume the role of partners in the promotional campaign by offering inducements for industry and business to locate

in the area (tax benefits, financial assistance through revenue bonds, and provisions of public services), since the promise of free training alone is seldom sufficient to attract or expand business. This program is cost effective with little administrative costs, and a low cost for each trainee placed.

CETA's role in the Economic Development Intermediary Model is administrative and functions to serve as a facilitating intermediary to organize and coordinate economic development. This is the least used model but has the greatest potential as a a self-contained CETA economic development program. CETA functions to provide management by hiring a staff selected for its enterpreneurial and management ability and the ability to relate to the business world. This model has good tie-in to employers with jobs and can channel information on future jobs to the CETA training units. The costs are minor and the placements high. Here, CETA has less visibility (more of an intermediary) and thus less prestige. Bruno and Wright, Jr., 1980)

Regional Growth Centers. Regional Growth Centers are places where resources can be most swiftly and effectively used to create more jobs and higher income for the people of the surrounding area, although the growth center itself need not be distressed.

Clusters of industry tend to attract other industry, and such clusters offer the prospect of improving economic conditions for the entire area. This strategy could also stem the migration from these depressed areas. The Growth Center Strategy became law with the August 1965 signing of the Public Works and Economic Development Act, which created the EDA and linked the growth center concept to the Economic Development District Program. This program encourages counties to pool their talents and resources to achieve common aims in multi-county economic development districts. Each economic development district contains two or more redevelopment areas of sufficient size, population and resources to foster economic development on a multi-county basis; and each district must have one or more growth centers of sufficient size and potential to foster economic growth to alleviate distress in the redevelopment areas of

the district. By September 1966, 67 districts had been authorized for establishment and the first growth center was designated in December 1966 with the designation of the Coastal Bend Economic Development District of South Texas.

There are several criteria for the growth center selection. The center had to be identified and included in an approved district OEDP and recommended for designation by the state. The center had to be geographically and economically related to the district so economic growth could be expected to contribute to the alleviation of distress in the redevelopment areas. No center could have a population in excess of 250,000. Redevelopment centers were located in district redevelopment areas; economic development centers were located in non-designated countries. As of March 1971, the EDA had designated 139 economic development centers and 67 redevelopment centers in 105 districts from Maine to California. These economic development centers received obligations of $104 million through the EDA's Public Works, Business Development, and Technical Assistance Programs, and 105 districts received $17 million in EDA planning grant funds.

In the EDA's Program Evaluation of the Growth Center Strategy in February 1972, (U. S. Department of Commerce, February, 1972) that the pojects funded through the growth center strategy had accomploshed the expected results. Residents received little direct employment or public service benefit from the EDA growth center projects and minimum total job impact. It was found that a majority of EDA growth centers exhibited limited potential for future population or employment growth, due to the generally depressed nature of the districts in which the EDA programs are required to work.

Specifically, the EDA projects in growth centers resulted in no more job impact that projects located in redevelopment areas. EDA growth center projects created jobs in stable firms' year-round operations. 26 growth centers had raised 674 households above the poverty level with wage increases, and trained more than 65% of the employees at EDA-associated firms. Redevelopment area projects, located in district redevelopment areas, were found to be more

effective than projects in growth centers. The percentage of jobs taken by present and former redevelopment area (RA) residents in connection with (RA) projects was more than five times that for growth centers. The evaluation team was unable to identify any secondary job impact in the redevelopment areas from the EDA growth center projects examined. For example, no suppliers or distributors were found that had located in or near growth centers as a result of the projects, and no firms indicated increased employment as a result of improved business associated with the location and expansion of operations benefiting from EDA growth centers. As of February 1972, $22 million of EDA investment in growth centers had resulted in jobs with $16 million in annual wges, with only ten percent of these wages spend in redevelopment areas. Public facilities that are EDA-funded in twelve growth centers have provided few services to residents of the redevelopment areas, and there is little evidence that they have stimulated or accelerated economic growth.

At the same time, the effectiveness of the Positive Action Program (PAP) has proved questionable as a means of asuring that residents of nearby redevelopment ares benefit from employment opportunities and public services in the growth centers. This is because the concept underlying the PAP was too broad given the EDA's limited resources to monitor implementation. (U.S. Department of Commerce, February, 1972)

According to the above study, in some Economic Development Centers, the EDA projects resulted in more positive attitudes toward development activities but had limited impact on the lending policies of local banks, the cooperation of community organizations, or the willingness of center residents to finance local improvements. These projects resulted in little change in attitudes toward helping the unemployed of redevelopment areas or centers.

In the final analysis, a majority of the places designated EDA growth centers offered little potential for future population or employment growth, and a significant number of economic development districts did not contain cities with the potential to serve district

redevelopment areas as growth centers. About 60% of the growth centers had little or no potential for future population or employment growth and may be experiencing out-migration. About 42% of the designated economic development districts did not contain locales identified as high growth potential centers.

The political problems in selecting the locale of a growth center was resolved in many cases by making a large number of small places "growth centers." However, the designation of one place as a growth center can be a disincentive to other places not selected.

The Office of Management & Budget pressured states to create multi-county planning units within which federal programs could be coordinated, and the OMB sought to establish a network of state, regional metropolitan planning and development clearinghouses lodged in substate planning and development districts. These were involved in efforts to receive and disseminate information about proposed projects, to coordinate applications for federal assistance, and to act as a liaison between federal agencies contemplating federal development projects. It is necessary for state governors to create economically and politically meaningful functional planning units and to compel agencies to coordinate activities within this framework. Substate planning tends to be strongest in states with large nonmetropolitan populations.

The major task of decentralized manpower planning is to give nonmetropolitan workers greater access to economic opportunity by developing manpower skills and by providing better spatial access to jobs. Rural industries often draw labor forces from wide geographic areas. It has been found that proximity to Standard Metropolitan Statistical Areas (SMSA) and the ability to commute to SMSAs facilitate economic stability in nonmetropolitan areas. Also, in areas where a fairly large number of persons live within commuting distance of each other, even in nonmetropolitan areas, there are labor markets of 100,000 which, in proper planning, can simulate metropolitan areas.

However, the lack of transportation limits access to employment opportunities for may disadvantaged persons, made even more acute by the energy crisis. In non-metropolitan regions, it is possible to organize transportation systems to link underemployed and unemployed persons with job opportunities. For example, South Carolina's CETA program adressed the transportation needs of manpower program enrollees, though flexible enough to serve more comprehensive needs by cooperative effort between the state's office of manpower planning and coordination and eleven transportation contractors (community action agencies) in the respective substate planning districts, with the contractors reimbursed for the manpower enrollee transportation on a passenger mile basis, rather than a vehicle mile basis favored by other states. This gives an incentive to contractors to provide an efficient and effective routing and scheduling plan.

Local Economic Development Corporations (LEDCs). Efforts to build and strengthen minority business enterprises, especially to facilitate economic growth in small poor communities, can be made by means of local economic development corporations (LEDCs), which are local in formation and control and can mobilize local talent and energy and channel financial resources into community business ventures and ownership. LEDCs can act as a broker-sponsor for local economic development and as a source of financial assistance, managerial assistance, and manpower training, especially for minority business enterprises, technical and management assistnce, business counseling, and OJT and classroom instruction for managers. LEDCs can be organized as a non-profit membership corporation, or as a profitmaking corporation in which earnings are shared by community residents. (U. S. Department of Commerce/EDA, 1970)

Indian Ecnomic Development. The EDA Selected Indian Reservation Program was established by the EDA in 1967 to carry out a comprehensive development strategy on a selected list of 16 Indian reservations considered most likely to achieve self-sustaining economic development through a proper use of federal assistance. This type of development assistance generally goes to rural areas. In evaluating the program in 1972, the EDA used the criteria of job

creation traceable to the projects and improved development potential resulting from the projects. Overall, the EDA approved 110 projects (including 3 business development loans later cancelled) for 16 Indian Reservations on the Action List. The total amount of EDA funds approved for the projects was $44 million, with $34 million in grants and $10 million in loans. The total number of new and saved jobs associated with these projects was 2,305, with an additional 1,800 jobs projected for projects not yet completed as of 1972. An evaluation team sponsored by the U. S. Department of Commerce found that the program had improved the potential for economic development on most reservations, and that the program was well-regarded by most Indian leaders on the 16 Action List reservations. (U. S. Department of Commerce, July, 1972)

Complaints about the program stemmed from the excessive time to process the projects and the confusion information from various program sources. The bulk of EDA funds went for public works programs, to support industrial development and tourism complexes, and to community service facilities. The planning assistance grant program had shown some promise. The overall results of the program on individual reservations was varied: on 4 reservations, the EDA program was of substantial help either in producing new jobs or in improving development potential; on 5 reservations, the EDA program provided considerable help, though it was, at the time to early to assess the results definitively; on 7 reservations, the results were marginal.

The factors most cosely associated with positive development progress ere the continuity of tribal government, the ability of tribal development specialists, location near markets, and the availability of resources. Conversely, the lack of resources, isolation, frequent changes in tribal government, and inadequate personnel were most closely associated with a lack of development progress. Where tribes had access to natural resources and markets for their products and services, economic development was more successful. However, there are many reservations where these conditions do not exist, and it may be necessary for these

reservations to receive continuing outside assistance.

PART IV:

ECONOMIC ASPECTS OF MANPOWER TRAINING PROGRAMS

A relationship is evident between economic development policies which are designated to provide jobs and human resource development policies which are intended to develop employability and skills of the labor force. This section examines the relationship between education-for-work or vocational education and economic development. Suggestions for improving the relationship between economic development efforts and education and training programs are included.

Linking Economic Development with Job Training

The origin of education and training program linkage with economic development through job creation is generally from two types of groups. First the economic type, comprising about one-half of the cases and organized by persons willing to take risks in order to improve the economy of the community (normally leaders of the community or business leaders). The second type is humanistic, comprising the other one-half of the cases and organized to meet the needs of the target group of the unemployed and the poor. Humanistically motivated groups exhibit a higher incidence of uncoordinated planning and a lack of support from the economic and political establishment; hence, economic development occurs by chance rather than by design, with negligible planning and with no deliberate research and analysis of factors affecting the economy. On the other hand, economically motivated groups and programs are better planned, with professional staffs, support of the business community and elected officials and fewer implementation problems.

Jules Cohn, in a 1970 article gives five motivating factors for

the private sector being involved in urban problem solving: (1) enlightened self interest, citing social responsibility as essential for the company and the community; (2) appearance, with 80% of the organizations saying that their reputation and image would be strengthened; (3) compliance, with 40% seeking to satisfy government requirements for equal opportunity in hiring; (4) insurance, with 33% saying that it would discourage boycotts and violences; and (5) profit, with 12% saying that they were interested in opening new markets and attracting minority customers. Of the 247 companies that Cohn surveyed, 201 had some urban affairs program, few of which were started before 1965; 46 companies had no such programs, most saying that they "can't afford it" and five showing apathy.

Private Sector Linkage. Jules Cohn also lists several categories of urban programs, with banks, utilities, insurance, and the aerospace industry assuming primary importance in the following areas: (1) Donations of cash, staff, time, and facilities (about 70% of the 246 companies surveyed); (2) Minority group hiring programs (about 44% of the organizations); (3) Hard-Core hiring programs (34%); (4) Hard-core training and upgrading programs (16%); and (5) Other activities (12%). About 20% of the companies donated funds for grass root, self-help programs, neighborhood improvement projects, and community education, with some companies seeking worthy new urban causes and groups. Cohn also noted however, that corporate support was less evident where more militant minority-group organizations (CORE, SNCC) were involved.

About 25% of the firms donated staff and facilities as part of their urban affairs programs, some officials work with black businessmen on management problems, improve school programs with educators, lead youth groups in the inner city and coach job-hunting techniques. About 40% of the 247 companies encourage staff members to help out in community projects, but less than half of these can do it on company time. However, companies prefer to make community service contributions in cash rather than in the time or in the patience and tolerance demanded in community meetings. Companies do not wish to face the organizational changes required by programs for unskilled new black hires. Since 1967, 110 of the 247 companies surveyed had

initiated special programs to hire and upgrade minority group members who had the skills and qualifications to fill the jobs (unlike the hard-core poor).

Sixty-three of the firms concentrated on filling entry-level jobs, recruiting people between the ages of 18 and 30, with recruitment of young blacks running in conjunction with community agencies, schools, and colleges. Sixty-six percent of these companies' executives said that they would like to see more minority group executives in the organization. Twenty-one of the 247 companies had special efforts to recruit minority group members for managerial and executive positions, with 71 more having programs to train potential managers among the minority group already on the payroll. However, in many cases the minority group hires cause tensions in the form of employee resentment and hostility toward black or Chicano, and a backlash occurred until it was made clear that everyone would benefit. (Cohn, 1970).

Facilitating Linkages

Resources Required Five resources - Materials, Manpower, Markets, Management, and Money - are key to the successful linkage of job training activities with economic development. These factors are sometimes called the Five M's.

Materials used to develop linkages are usually local natural resources which are utilized in CETA/economic development activities. Manpower is a necessary resource; CETA excelled as provider of manpower for economic development activities through PSE, OJT, and work experience projects. Markets are one of the economic development elements beyond the direct control of programs; the challenge is to identify markets where needs match money. Management is an important resource with the capability to plan, organize, control and evaluate business and financial activity and is the second most frequently cited element contributing to economic development. Sometimes management expertise is acquired from a variety of agencies. Money is the most difficult resource to acquire and if available all other

elements can be purchased. In nearly one-half of the cases, financing was acquired from private lending institutions or investors, or from (in decending order of availability) the U. S. Department of Commerce/EDA, the old Office of Economic Opportunity (now the Community Services Administration), the Department of HUD, the Farmers Home Administration, and the Small Business Administration. The major problems encountered by CETA/vocational education programs are the bureaucratic processes characteristic of Federal grants. The key to obtaining financing is the skill of the program's management.

Interagency Coordination. Where CETA is linked with economic development a minimum of three organizations working in concert is usually necessary to provide the resources for success, with formalized relationships arranged through oral agreements. An average of five or six agencies are teamed, utilizing written arrangements such as grants, subgrants, and contracts. Resources are tapped easily when the sponsor of the economic development program is a community based organization with multiple funding sources and greater flexibility. Successful interagency coordination has resulted when agencies shared common missions and objectives. Rivalries have not been a problem when economic development was challenging enough to encourage interested parties to band together to gain strength from numbers and combine resources to gain "Five Ms". It is necessary to establish clearly the possible benefits from economic development programs and to identify the agencies to which benefits accrue and how. In terms of outcome, success is related to the community's willingness to help itself.

Suggestions for Improving the Economic Development Job Training Relationship

Regional Growth Centers. The aim of regional growth centers is to strengthen key urban centers that can bring growth to peripheries and pockets of isolation. The methods used to achieve this end include strengthening the links between these urban centers and metropolitan systems through transportation and communications programs, strengthening the ties between these centers and outlying

areas, and developing service delivery systems for both these centers and their regions, uniting them in a common and equal fabric of servics.

Increased Private Sector Involvement. Senator William Proxmire and others advocate an increased business involvement, with improvements made in the dissemination of information about existing and forthcoming private-sector programs (perhaps the creation of a clearinghouse for disseminating information about these programs operated by a private organization but receiving federal support and funding), more concerted interest in these programs by top corporate executives, and better administration of these programs (Proxmire, 1978)

Education Linkages. Former Senator Jacob Javits and others advocate the encouragement of greater linkages between the classroom and the workplace, such as that fostered by the Youth Employment and Training Program (YETP) 22% Education-Work Set-aside, in which funds are available for work/study programs jointly administered by local education agencies and CETA prime sponsors, therein bridging the gap between the world of education and that of work (Javits, 1978)

Keys for a Successful Relationship. The Committee for Economic Development suggests some public and private actions to benefit groups and areas of the economy with government to train or provide jobs. Stronger mechanisms to mobilize private sector involvement are useful such as direct government manpower contracts with private nonprofit organizations that help business handle job development, training, and placement. Increased incentives and reduced disincentives for private employment of the disadvantaged, such as categorical tax credits are proposed different approaches needed to problems for particular groups among the disadvantaged, such as business involvement in skill training and upgrading, transistion from school to work for youth and others, apprenticeship training, productive use of midcareer and older workers, and alternative work patterns to make employment available for part-time jobs. Finally, business should make greater use of alternatives to outright layoffs during a recession. (Committee for

Economic Development, 1979)

PART V:
EVALUATING ECONOMIC DEVELOPMENT AND VOCATIONAL EDUCATION PROGRAMS

To evaluate the role of vocational education in economic development, and to determine the effect of various education-for-work programs on economic development, several methods of measurement and analysis are available. Different methods are used by the various economic development and education-for-work program administrators to evaluate the economic growth of a region and the success of the programs in contributing to such growth.

Much of the information included in the subsection titled Education-for-Work Program Evaluation Measurement Techniques has been extracted from Michael E. Borus, "Indicators of ETA Performance." Similarly, the U. S. Department of Congress/Economic Development Administration provided considerable content for the Evaluation of Technical Assistance Projects subsection through a publication titled "Evaluation of Seven Major Technic Assistance Projects with National Scope."

EDUCATION-FOR-WORK PROGRAM EVALUATION AND MEASUREMENT TECHNIQUES

The evaluation of employment and training programs during the last fifteen years has concentrated on estimating the impact of individual manpower programs, but there have been few attempts to compare the merits of different types of programs (OJT vs. classroom), to measure the effectiveness of different deliverers of similar services, or to examine the effects of supplying slightly different

services within a given program. Nevertheless, local prime sponsors under CETA are being called upon to make these comparisons to determine what types of programs to find for various groups of unemployed and to know the relative costs and benefits associated with the different types of programs, service deliverers, and funding techniques to optimize the use of resources. To be meaningful and valid, evalutions require extensive data on large-scale samples of participants; hence, such evaluations can be expensive and time-consuming, and few prime sponsors have the budget to undertake such studies. Also, prime sponsors must make their allocation decisions annually and cannot wait two or three years after providing a service to determine the extent of its impact.

Prime sponsors use "indicators" or proxies for estimating the success of programs, including such variables as placement rates, earnings, proportion of time in employment, wage rates, and levels of transfer payments. The change variables are calculated as the difference between the status of trainees shortly before and shortly after program participation. The indicators are not validated and there is no evidence that they are positively correlated with the long-run effects of manpower programs. For example, an evaluation design calls for a control group and none currently exists. Individuals likely to have employment in the absence of participation in manpower programs are likely to show up as successful according to the indicators; thus, "creaming" is potentially encouraged in order to show a more successful product and to demonstrate a viable program.

Borus suggested that one or more of the following methods should be adopted to determine the long-run effects of manpower programs: First, the practice of using single predictors shown to have the highest correlations in the study conducted by Borus included (a) the percentage not on welfare or the average wage rate 30 days after leaving the program, as indicators of long-run earnings gain; (b) the percentage completing the program to demonstrate the increase in employment and the reduction in public assistance; (c) the average change in weekly earnings from the last job in the year before application to 30 days after leaving the program, as proxy for change

in unemployment insurance receipts; (d) the percentage of the positive terminations to gauge the increases in education. Though these are best indicator variables and can be used by prime sponsors with the least adjustment on their part, such use can involve opportunities for substantial errors.

Second, Borus suggested abandoning attempts at short-run evaluations in favor of major long-run evaluations undertaken by the U. S. Department of Labor as a means of determining the types of programs and economic conditions most beneficial to specific groups of manpower program clients. Attempts could then be made by prime sponsors to match programs and clients at the local level. However, Borus said that until these long-run studies are completed, prime sponsors should distribute funds on the basis of internal review of operating efficiency.

Finally, continuing attempts should be made to find valid short-run correlates of long-run impact, with longitudinal follow-up analysis of a national sample of program participants and nonparticipants over a longer post-program period before measurement. Such a study would involve an increase in cost and effort for prime sponsors to implement the monitoring system.

Trend Analysis. Michael Borus listed five indicators for the long-run effects of manpower programs:

(1) the annual earnings of participants

(2) the number of weeks employed

(3) the amount of public assistance received

(4) the amount of unemployment insurance received

(5) the educational attainment level at the time of the follow-up interview

Borus found that participation in the manpower programs, on an average, had a statistically significant effect on all five of the variables. Specifically, participation resulted in higher average

earnings, greater number of weeks employed, greater educational attainment, and lowered welfare payments. The amount of unemployment insurance received was higher because of the higher earnings and the longer employment prior to unemployment. Borus believes that this shows the positive long-gun effects from participation in the manpower programs.

Theories of Regional Economic Growth

Economic expansion is associated with a high rate of increase in employment in manufacturing and services and corresponding declines in agricultural employment. However, there is little correlation between the differential change in total income and population and the changing importance of different industries. "Growth" industries (those industries expanding in employment or value-added greater than the average) favorably influence the growth in volume of economic activities within a region, but a region may grow by gathering in a greater proportion of slower-growth industries. In addition, regions may experience growth even when they specialize in industrial activities such as agriculture and mining, which may be on the decline as a whole. Certain industries are more conducive to regional growth than others, but not all regions have the relative advantages with regard to input-output access that make it possible for them to attract such industries. A realistic appraisal of a region's advantages or disadvantages with regard to input-output access is a starting point for understanding growth potential.

The growth of export industries within a region, industries that tap the national or regional market, influence expansion in volume of economic activities. However, the multiplier effect varies greatly with different industries and the expansion of residentiary industries and services is not directly related to the growth of exports. The impact on local income and employment of various export industries covers the range from great to insignificant in terms of linking industry effect and the effect on increased consumer expenditures. The extent of residentiary industries increases with the growth of regional markets, as industries find that they can achieve adequate

economies of scale while producing in every part of the country (assembly operations and banks, for example).

A high capital-to-labor ratio is necessary in providing high wage levels in the region. Different industries vary on the average pattern of factor proportions employed, so wage differentials are expected. However, there is no reason why industry cannot increase its capital-to-labor ratio when adjustments in relative prices are conducive to increases.

All regions of the country are subject to the influence of the national economy and a number of other factors which impinge on their regional economies, including physical features, closeness to national market centers, existing plant and equipment, population densities, industrial structures, and economic histories. Some economies always will expand more rapidly because of advantages of input-output access within the total spectrum of industries. Every region cannot hope to have rapid increases in the volume of economic activities and population, but they can expect to enjoy high and rising levels of per capita income if the work force accepts the need to "empty out" and maintains mobility when the situation calls for it.

Evaluation of Technical Assistance Projects

In November, 1970, the Program Analysis Division (PAD) of the Economic Development Administration began a series of evaluations of technical assistance projects with national scope, including support for five business development organizations (the goal of which was to help minority economic development, but each with a unique emphasis and approach), and two national trade associations which represent minority companies. Evaluations showed that grants to the seven groups have given impetus to minority business development and that there is strong support for continued EDA funding.

EDA funding has strengthened the national and local programs and created local institutions in every city where a chapter was evaluated, and 200 new businesses and 300 existing businesses have

received support and help annually. The EDA investment was $775 per job created, which includes loans to new businesses and technical assistance efforts. The effectiveness of the director is the primary factor in a chapter's success. National staffs were found to provide insufficient support to trade associations, which were supported by the EDA. The EDA has provided valuable and necessary services to members by enabling them to expand staffs and activities and better compete against larger firms. The association also publishes journals and sponsors conventions and seminars to review the problems of members. Trade associations have limited access to outside funding, with more difficulty found in getting private funding than in the business development division.

Some observers feel that the EDA should continue the support of the national offices of the business development groups and should emphasize adequate financing of chapter activities. The EDA could consider the funding commitments for two years (with review six months prior to termination) to help grantees attract and retain better personnel and to enable them to devote more effort to development activities and less to seeking financial support. If the grant agreement provides for a 2-month renewal or termination notice staff continuity is assured. Ideally the EDA project director should maintain a close personal contact with grantees. Experts suggest that grants should not be shifted to additional chapters unless viable existing chapters can continue without public support. Business development groups should try to obtain strong and independent local directors. (U. S. Department of Commerce, October, 1971)

PART VI:

BARRIERS TO JOB TRAINING AND ECONOMIC DEVELOPMENT

Many difficulties are experienced by providers of job training who are attempting to develop a job skill to match new jobs created in a community. Some problems stem from inefficiency and corruption, some from poor communicationm, others from labor and union conflicts and legal constraints. Barriers to effective education-for-work are experienced by CETA prime sponsors, vocational education teachers and private firms. Some examples of the types of barriers are illustrated below.

Barriers Created by CETA

Some barriers to job training and economic development have been caused by CETA practioners.

Neglecting the Structurally Unemployed. There has been a weakening of the commitment to the disadvantaged in the structurally oriented Title I program of CETA. Participants tend to be older, better educated, and less disadvantaged than their predecessors, because, according to William Mirengoff of the National Academy of Sciences, there is broader eligibility criteria under CETA legislation. (Mirengoff, 1978) Thus, the spread of resources has moved into the suburban areas, and the inclination of program operators is to select applicants most likely to succeed. This ("creaming") results from a desire to justify the program with successes (Kiernan, 1978). To help reverse this trend it is recommended that eligibility be restricted to low income population; that allocation formulas be designed to direct funds to those most in need; that public service employees be redesigned to include a continuing program limited to the disadvantaged, and that prime

sponsors supervise the client selection process.

Problems with Public Service Employment (PSE). A major criticism with PSE and manpower programs in general is the tendency to substitute Federal funds for local funds for the hiring of permanent employees, which according to Mirengoff enfeebles the job creation effort (Mirengoff, 1972). Amendments limiting new hires to an 18-month tenure in special projects has cut down on substitution abuses. (Killingsworth, 1977)

Allegations and Criticisms of CETA. There are scores of examples of poor bookkeeping, nepotism, political activities, kickbacks, unionization/anti-unionization activities, religious/anti-religious activities, and the use of CETA funds for lobbying. According to Ernest Green (Green, 1978) the July 19, 1980 edition of The Houston Chronicle reported poor bookkeeping and thefts of sophisticated and expensive office machinery worth thousands of dollars apparently stolen in three burglaries, but unaccounted for at any rate. In Washington D. C., there were 139 cases where no employment records existed to document the hiring of CETA employees on the payroll (Kiernan, 1978). In the same locale, scores of examples exist of written requests for specific people by ranking city officials and heads of non-profit community-based organizations in an attempt to "pre-select" CETA workers and to circumvent the normal hiring procedures. Suburbanites from Virginia and Maryland, rather than city residents, it was found, have worked under the Washington CETA program (Kiernan, 1978). Congressman Steven Symms says that CETA has helped more skilled, white municipal workers than it has the under-privileged and that CETA gives job-preferences to ex-convicts and criminals over decent people trying to get a start (Symms, 1978) Many have complained of the excessive costs of putting a CETA public service employee into a non-subsidized job; in the case of Houston, this figure has been put at $17,159.

Communication Based Problems. A lack of communication has been blamed for many of the difficulties in placing graduates of skill training programs with private sector jobs. Better communication is

needed between trainers and private industry, between federal agencies and local groups, and between supervisors and trainers. These points are discussed below.

Quality Issues. The emphasis of Title I has shifted from activities that enhance human capital to those that provide income maintenance. The recent doubts about the quality of the skill training and work-experience programs have resulted in efforts to conduct experimental and demonstration projects to improve the quality of the skill-training and youth programs. Recommendations include the assessment of content and duration of training programs, enriched work-experience models, closer links with the private sector in developing programs relevant to the job market, and employability development programs.

Poor Placement Records. According to Mirengoff, placement precentages under CETA are lower than for comparable pre-CETA programs. For Title I, the precentage of those who entered employment to those who were terminated was 57 per cent; for PSE, the figure was 58 per cent. However, for pre-CETA programs, the percentage was 71 per cent. This study acknowledged the special difficulties in the high unemployment period of the 1970s. However, the solutions could lie in an emphasis on job development and placement activities, and a restoring of the emphasis on the transitional objectives in PSE. (Mirengoff, 1978).

Supervisor Trainee Perceptions. Minor and Minor in their article titled "Closing the Gap Between CETA Supervisee-Supervisor Perceptions" mention the discrepancy between how trainees expected their supervisors to rate them (personal veracity) and how supervisors actually rated them (ecological veracity). Supervisors and trainers are subject to the same negative attitudes and feelings regarding the less fortunate, welfare recipients and the poor. No form of supervisor training alone can narrow the gap between supervisor-supervisee perceptions. Rather, a combination approach with simultaneous training for both is needed. (Minor and Minor 1972)

Labor Unions

According to John A. Sessions, organized labor supports job-related education and apprenticeship programs but will not permit erosion of negotiated wage structure nor child labor laws. One answer is to subsidize the employer by contracts where costs of training are substantial. Planning work experiences must be a cooperative effort of schools, employers, and the unions. On the job training programs will work most effectively in a full-employment economy which transcends the setting of educational policy and does not work in periods of substantial unemployment when students can only be placed on jobs in marginal, non-unionized industries requiring minimal skills. (Sessions, 1973)

Problems with Adult Education

The problems of adult education and training are created by a lack of commitment to employment training and education by the top management of an organization. What many managers want instead is a low cost program to enhance the image of the organization in the community. The failure of commitment at the top leads to a failure of commitment of staff management and a failure to anticipate possible problems. The personnel department often lacks the necessary expertise. Only a complete program should be considered with goals and objectives from the start, a plan for implementation, and a system of motivating.

According to Conrad Walker, there are five basic hurdles most commonly encountered by vocational education teachers involved in adult education, the hurdles being a set of problems that students bring with them upon entering MDTA programs.

1. The Hurdle of Prior Failure, which increases the probability of futher failure; student needs to experience small successes within training.

2. The Unfavorable Conditions Hurdle, such as job frustrations, unemployment, and economic problems causing family disruptions. There is a need for

teacher or staff to give support to compensate for lack of support in other quarters.

3. Previous Teacher Hurdles; vocational education teacher must demonstrate caring and interested demeanor.

4. Habit Pattern Hurdle, which includes poor communication habits, poor work habits, poor dress, and lateness. This negative conduct must be replaced with desirable habits but without appearing to reject the student as a person which necessitates good comunication between teacher and student.

5. The Past Experience Hurdle, which necessitates that the student acquire the skills to use past experience selectively, to assess the appropriateness of past experiences in giving direction to decisions. New and appropriate experiences must be provided before a meaningful evaluation of earlier experiences can be undertaken (Walker,1978).

Government Procurements Limitations

Legal constraints to government procurement exist in defense and non-defense areas.

In defense procurement for example, the Maybank Amendment states that the discriminatory awarding of a defense contract on the presumption that it will be performed in a labor surplus area is prohibited. Thus, a defense contract cannot be made to relieve economic dislocation. If a contract is awarded on the basis of a low bid or a normal competitive negotiation basis, but contains an optional cost-reimbursement item for hiring and training the unemployed, it is possible to construe the cost reimbursement as an action to facilitate the national defense by expanding and training the defense labor pool in the event of a national emergency.

In non-defense procurement, The President's constitutional authority is sufficient to support a cost-reimbursement provision for the training of the unemployed. There is no statutory prohibition against the payment of price differentials in non-defense procurement contracts to cause them to be performed in labor surplus areas. However, such maneuvers may be politically difficult.

Lack of Resources

Particularly in rural settings, poor and fewer roads and little alternative transportation cause isolation and limited access to markets and raw materials. Also, a lower tax base will limit agency resources to community action programs and public schools.

PART VII:

ECONOMIC DEVELOPMENT PROGRAMS IN TEXAS

Figure 1 in this section (taken from the U. S. Department of Commerce Economic Development Administration Annual Reports for Fiscal Years 1966 through 1980) lists the EDA approved projects in Texas by project and dollar amount. The programs listed include Public Works, Business Development, Technical Assistance, Planning Grants and Economic Adjustment. These data are cumulatively listed; each fiscal year's total includes both the amount of that year plus the sum for all previous fiscal years. In addition, figures are shown for the Public Works Impact Program - Obligated Projects, the Trade Act Loan Assistance, and the Economic Adjustment Assistance Projects. Finally, to put these dollar amounts within the context of the country as a whole, the column of the data on the far right lists the EDA approved projects for Texas as a percentage of the EDA projects for all 50 states, by dollar amounts. Over the 15 year span of the EDA Texas has received anywhere from a minimum of 2.154% of the country as a whole to a maximum of 5.448% in any given year.

In reviewing the EDA approved projects listed in the annual reports of the EDA (FY 1966 - FY 1980) and one annual report of the Area Redevelopment Administration (ARA) (FY 1962), the number of different kinds of projects in Texas is found to be relatively small, with this small proportion of projects appearing repeatedly throughout the years. Planning grants are the most popular general project in Texas. Specific popular projects include water systems and water treatment plants or dams and reservoirs (by far the most frequent in Texas), followed by sewage treatment, industrial park development, and tourism and recreation facilities. Other project categories appearing in Texas include hospital building and expansion, fishing harbor

FIGURE 1

SUMMARY OF ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) APPROVED PROJECTS IN TEXAS BY PROGRAM 1966-1980

DATE AS OF	PUBLIC WORKS		BUSINESS DEVELOPMENT			TECHNICAL ASSISTANCE		PLANNING GRANTS		ECONOMIC ADJUSTMENT		(5) STATE TOTAL (1)		(5) STATE TOTAL (2)		PUBLIC WORKS (3) IMPACT PROGRAM		TRADE ACT LOAN ASSISTANCE		ECONOMIC ADJUSTMENT ASSISTANCE		(4) PERCENTAGE APPROVED BY DOLLAR AMOUNT IN TEXAS TO WHOLE U.S.
	PROJECTS	AMOUNT	PROJECTS	LOANS	WORKING CAPITAL	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	PROJECTS	AMOUNT	
6/30/66	6	$ 5,665,000	1	$ 306,000		6	$ 254,000					13	$ 6,201,000									2.156%
6/30/67	20	17,091,000	3	867,000		10	292,000	7	$ 286,000			40	18,514,000									4.461%
6/30/68	60	24,092,000	6	2,941,000		17	666,000	7	403,000			70	28,152,000									3.700%
6/30/69	67	33,835,000	10	5,096,000		30	1,067,000	7	725,000			114	40,281,000									5.166%
6/30/70	81	38,019,000	12	6,130,000		36	1,495,000	17	1,440,000			146	46,661,000									3.485%
6/30/71	85	42,319,000	11	6,110,000		40	1,674,000	32	1,206,000			177	51,395,000									2.236%
6/30/72	112	48,970,000	16	6,067,000	$ 600,000	50	2,114,000	40	1,613,000			224	59,562,000			16	$1,981,280					3.859%
6/30/73	140	55,921,000	16	10,760,000	600,000	69	3,395,000	48	2,042,000			273	71,123,000			16	2,231,584					4.233%
6/30/74	183	65,433,000	19	12,076,000	670,000	80	2,903,000	55	2,413,000			337	82,836,000			20	3,879,600					5.448%
6/30/75	200	70,259,000	22	13,203,000	6,486,000	85	3,090,000	66	2,762,000			376	89,311,000			6	1,030,200			1	$4,520,000	3.537%
9/30/76	223	78,[illegible]000	25	13,203,000	7,429,000	90	3,839,000	84	3,891,000	6	$6,667,000	437	106,669,000			8	1,653,000			3	366,835	2.7%
9/30/77	246	90,292,000	26	13,203,000	8,589,000	100	4,356,000	100	4,790,000	8	10,584,000	488	131,656,000	733	$177,743,000	6	1,690,000			2	5,710,000	6.175%
9/30/78	261	97,647,000	30	16,285,000	8,749,000	123	4,960,000	110	5,710,000	11	17,088,000	537	149,239,000	782	295,320,000	7	1,800,000	1	$ 200,000	5	7,310,000	3.158%
9/30/79	281	108,403,000	36	17,705,000	13,339,000	143	5,352,000	132	7,177,000	20	20,361,000	614	172,360,000	859	318,610,000	9	3,625,000	1	1,000,000	7	2,675,000	2.494%
9/30/80	299	121,696,000	45	20,119,000	17,539,000	169	5,664,000	160	8,272,000	22	22,099,000	663	197,383,000	900	343,360,000	6	3,619,000	3	2,000,000	2	1,750,000	0.895%

Note: All project and dollar amounts are cumulative; i.e. each yearly amount includes the number of projects and dollar amounts for that fiscal year, plus the sum of all project and dollar amounts up to that fiscal year.

Source: U. S. Department of Commerce, Economic Development Administration Annual Reports, 1966-1980

(1) Excluding drought assistance and local public works
(2) Including drought assistance and local public works
(3) Includes disaster assistance PWIP projects

(4) excluding drought assistance and local public works

(5) Does not include projects funded under Title III, Section 304, the Public Works and Economic Development Act

expansion, grain elevator expansion, the construction of a pulp paper mill, the study of native minerals, airport improvements, vocational and technical schools or shops, summer youth programs (in large cities), street construction, historic restoration, parasite study, and the establishment of minority-owned businesses. The end goal of these projects in each case is twofold: (a) improving the quality of life of the inhabitants of the particular area; and (b) attracting outside businesses to the area with jobs by making the area more appealing, thereby further enhancing the quality of life of the populace, attracting new residents with varied talents, and raising the general level of economic life. Hence the emphasis in the EDA is on projects that will have a ripple effect creating new areas of development while cutting overhead and start-up costs which will make the particular area appealing to a company looking for a place in which to expand or build. Projects such as water and sewage treatment, industrial parks, airport improvements, and harbor and grain elevator expansion seek to accomplish such purposes. More esoteric pursuits such as library construction and historic restoration are designed to uplift the general quality of life and image of a community necessary to attract new industry and jobs.

Highlights of EDA Approved Projects in Texas A number of EDA Approved Projects in Texas have been highlighted in EDA Annual Reports over the past 15 years. For example, in the 1962 ARA Annual Report, a total of 73 projects nationwide were approved, 37 of which were commercial loans. One of these was a $10,400 industrial loan for a synthetic marble plant for Hallmark Industrials in Cherokee County Texas, resulting in 40 jobs; another, a $414,375 industrial loan to the Texas Clay Title Co. to establish a new firm to produce structural tile and face brick (60 jobs).

1967-1969 By Fiscal Year 1967, Texas had three designated Economic Development Districts: (1) Coastal Bend, encompassing 20 counties with Corpus Christi as the Growth Center; (2) Southwest Texas, with 11 counties, and Laredo as Growth Center; and (3) Texas Southmost, with 6 counties, and Brownsville as the Growth Center. One EDA Approved Project was a $125,000 grant to help establish an ocean

science and engineering laboratory in Corpus Christi to find new ways to commercially develop the marine and mineral resources of the Texas coast. The total cost of the project was $250,000, with the EDA share being matched through contributions from 53 individuals and companies.

The EDA's Training Division, in the office of Technical Assistance, helps unemployed workers in designated areas to acquire skills for jobs created locally through the development process. For example, the EDA's Washington D. C. and Austin Texas Area Offices developed a training program for 750 workers at the LTV Aerospace Corp. plant in Grand Prarie. Many of the trainees were former migrant workers from the Rio Grande Valley who were taught aircraft production skills and started work at jobs paying $2.39 an hour (1968 pay). Details of the program were developed by an interagency conference suggested and organized by the EDA with representatives of 5 Federal agencies on the board. The actual training was financed with $643,000 in MDTA funds, with about 250 of the workers receiving instruction in a former laundry converted into a training school with the help of the a small EDA public works grant.

By Fiscal Year 1968, Texas had 8 Economic Development Districts;

(1) Brazos Valley - 6 counties; Growth Center: Bryan-College Station;

(2) Central - 12 counties; Growth Centers: Temple and Waco;

(3) Coastal Bend - 20 counties; Growth Centers: Corpus Christi and Victoria;

(4) Deep East - 14 counties; Growth Center: Nacogdoches-Lufkin-Diboll;

(5) Lower Rio Grande Valley - 3 counties; Growth Centers: Brownsville, Harlingen, McAllen;

(6) North Central - 8 counties;

(7) North East - 14 counties;

(8) Southwest Texas - 14 counties;
Growth Center: Laredo.

In FY 1968, two EDA grants illustrated the manner in which such grants finance economic development and jobs. An EDA grant for $85,000 (out of a total project cost of $142,000) funded a Water System Improvement in Navasota, Texas. The EDA grant improved the city's water system through the construction of a new water well, an aerator and tower, a one-million gallon storage tank, a chlorinator and appurtenances. The project ensured an adequate water supply for Navasota, enabled existing industries to locate on an industrial park developed by the Navasota Industrial Foundation. This project developed 109 jobs at an EDA investment per direct job of $780, with the possibility of 55 future jobs being created.

Another EDA grant for $40,000 (out of a total project cost of $111,000) financed sewage collection and treatment facilities in Ladonia, Texas. The project provided sewage collection for low income areas of Ladonia and sewage treatment for the town as a whole. The health hazard caused by the pollution of a local stream through the dumping of raw sewage was eliminated. Bill's Auto Parts and Garage, the principal employer in the community was able to continue in business, saving 18 jobs, or an EDA investment per direct job of $2,233.

In FY 1969, EDA funds were provided to enable communities to construct vocational training schools to spur the growth of industry in both rural communities and inner-city areas. One such project highlighted was a $500,000 grant for construction of an automotive training center near Waco.

1970-1975. In FY 1970, the EDA Annual Report highlighted the Alabama-Coushatta Indian Reservation which has operated a successful Indian village and tourism complex funded by the EDA on the reservation since 1965. By 1970, about 125,000 persons visited the complex annually, and the tribes implemented an expansion program to construct a dam, a 30 acre lake, campsites, and trailer and picnic

areas, with the EDA and the State of Texas each providing $209,000. The existing tourism facilities provide between 120 and 140 part-time and seasonal jobs, with new attractions enabling the tribes to convert their business into a year-round operation with permanent jobs generated.

In FY 1971, the EDA Annual Report highlighted Growth Center Projects in Texas including funds to develop an industrial park in Bryan, Texas (Brazos Valley Growth Center), and funds for a reservoir to be constructed near Nacogdoches (Deep East Texas).

In FY 1972, the EDA highlighted a Growth Center Project in which a college program for allied health services was instituted in Temple, Texas (Central Growth Center). In another area EDA funds were approved for industrial site preparation to help rural communities to attract job-generating industries, such as an enlarged meat-processing plant in Eagle Pass, Texas which made possible an increase in jobs.

The Public Works Impact Program (PWIP) was started pursuant to Public Law 92-65, as a means of creating immediate construction jobs in areas of high unemployment. The EDA approved 203 projects in a five- month period by directing its representatives in state and regional offices to process applications for projects that could be expected to begin within 90 days after approval. The first project was approved December 8, 1971, with the first ground-breaking for a project on January 6, 1972 at Rosebud, Texas for a water transmission line. The program sought to assist minorities in establishing small businesses and in qualifying for skilled jobs. In addition, more than $2 million was provided for port development at the port of Brownsville, Texas (where Chicanos represent a 55% majority of the city population) with Chicanos being given 75% of the 500 newly created jobs.

The EDA Annual Report for FY 1973 described the continued Public Works Impact Program (PWIP) of the EDA which during FY 1973 approved $65,918,147 for 260 approved grants, including $215,200 for a vocational education shop at Beeville County Junior College. Under

the EDA's technical assistance program, one project was approved for a demonstration program on the eradication of tick-borne disease among cattle in Texas. During FY 1973, the EDA designated certain areas as Special Impact Areas, one area of which was San Antonio, Texas; these areas were characterized as communities and neighborhoods with high concentrations of low-income persons and tendencies toward dependency, chronic unemployment, and rising community tensions.

In FY 1975, the EDA approved $156,009,000 for 276 public works projects aimed at supporting local, multi-county district and state efforts to provide facilities that will enable and encourage private enterprise to expand and establish job-generating activities. This support included 38 grants to help EDA-designated growth centers build facilities to encourage growth and provide jobs and services for residents of economically lagging areas. Eleven growth centers received grants to help develop industrial parks identified in district Overall Economic Development Programs (OEDP), including Texarkana and Southwest Arkansas (also serving northeast Texas). Thirteen centers received grants to help enlarge water and/or sewage systems to accommodate new or expanding industries, including Lufkin and Nacogdoches (Deep East Texas). Further EDA public works grants for growth centers included funds to help build a warehouse at McAllen (Lower Rio Grande Valley).

The 1974 Amendments to the Public Works and Economic Development Act enabled the EDA to expand its aid for private enterprise. For example, Todd Shipyards Corp. (New York City) was able to continue operations at Los Angeles (San Pedro) and Seattle with the help of an EDA guarantee of a $22,500,000 working capital loan, which averted the loss of 4,200 jobs at these two yards, and which strengthened operations at five other Todd yards which employed 6,000 workers in repair and conversion work, including facilities located at Galveston and Houston. In another example, Eagle International, Inc. employed 340 persons in the production of intercity buses in Brownsville when a proposed bond issue, which would have financed a plant expansion, was blocked by legal obstacles. The EDA guaranteed a $2,210,000 fixed asset loan and a $4,250,000 working capital loan for the firm, or 90%

of the working capital and fixed assets loans from two Texas lenders; Continental Trailways, Inc. guaranteed the remaining 10%. Silver Eagle buses comprised 90% of the fleet operated by Trailways and by 1979 Eagle International was moving strongly into the short--un metropolitan area bus market, with employment up to 550 persons, 90% Hispanics. This action helped save the 340 jobs and enabled the firm to add to its line a new model for city transit.

The EDA approved $12,967,000 in grants under the new Public Works and Economic Development Act, Title III, Section 304 (one of the 1975 Amendments), authorizing funds to help states finance projects to stimulate long-range economic growth and create jobs. These funds could be used by states to supplement or provide "first-dollar" grants or loans for projects that could be funded by EDA under provisions of Titles, I, II or IV of the Act. Section 304 required that states contribute at least 25% of the amount of the Section 304 funds used for a project, and made the funds available to the states until obligated or expended for public works or business development projects. Section 304 was aimed at helping the states establish and strengthen their economic development activities. In FY 1975, the state of Texas was allocated $416,000 or 3.54% of the U. S. as a whole; in FY 1976, Texas received $865,000 or 3.47% of the total.

During FY 1975, the EDA made Section 302 (a) grants to 44 states and 30 cities and counties, including Fort Worth. Section 302 (a) was the 1974 Amendment enabling the EDA "to add a new diminsion to its support for economic development planning." "The 302 (a) program was designed to provide assistance for establishment of a broad-based economic development planning process enabling grantees to utilize more effectively their total resources to achieve broad socio-economic goals. The process involved a wide range of governmental agencies, private citizens, and public interest groups and provided a vehicle for improved federal, state, and local cooperation."

1976-1980 In FY 1976, EDA grants helped provide better care for immigrant farm workers through a center built with EDA assistance at Muleshoe, Texas. At the same time, NADSAT, a technology center

established by the University of Arizona's Office of Arid Lands Studies with EDA aid, offered Indian tribes of the Southwest, including those in Texas, a systematic approach to resource assessment, utilization, and development.

In FY 1977, the revitalization of central business districts and recycling of inner-city commercial buildings, with EDA assistance to ease operating costs, produced projects in many areas. For example, Fort Worth received EDA aid for street improvements and storm drainage controls to boost activities in the city's stockyards area. At the same time, EDA support for projects to attract tourists was motivated by a desire to create jobs for teenagers and women seeking seasonal and part-time employment. In this regard, an EDA grant was made for the conversion of a brewery into a museum of art in San Antonio to promote tourism. The Public Works Impact Program (PWIP) continued to fund quick-start projects to create immediate jobs in the construction of useful public facilities, including the strengthening of the water system in Barrett Station, Texas.

FY 1977 brought EDA approval of seven Title IX grants for areas where adjustment problems resulted from cutbacks by the U. S. Department of Defense at military installations. These grants included $5.6 million to help San Antonio carry out an adjustment program that included rehabilitation of Olmas Dam to facilitate new construction in support of the area's tourist industry. This adjustment program was geared to create jobs to replace more than 5,000 jobs lost through cutbacks at defense bases and industrial plants.

The EDA technical assistance program in support of minority group economic development programs provided funding and assistance to the National Council for La Raza, with offices in Phoenix, to generate business opportunities for Hispanics in the Southwest, including Texas. The organization worked primarily with small rural communities in need of strengthened capacity to identify business opportunities and to attract industry. In FY 1977, the National Council for La Raza received $142,358 to conduct training programs for elected officials

in Mexican-American communities in five states and to familiarize local leaders with industrial development and with methods of implementing projects designed to create job and business opportunities. Special emphasis was placed on minority businesses as providers of goods and services to new and expanding industries. In FY 1979, the La Raza Council brought together community leaders in the town of Edcouch, Texas, a Rio Grande Valley farming community of 300 with high seasonal unemployment and no group to whom a business investor could turn to set up a job-creating venture. As a result of the economic development organization established by the LaRaza Council, one business was immediately attracted after a plant structure was located. This business began operations with a 16 member work force, with plans to expand to 150, primarily women seeking jobs to increase family incomes. Edcouch has planned a local development corporation that would develop sites as an inducement to other firms to locate there.

The Office of Economic Research conducted a continuing study, training, and research program to assist in determining the causes of unemployment and undevelopment in various regions of the U. S. and to help formulate and implement solutions to the problems resulting from these conditions. In FY 1978, a $5.5 million EDA research program concentrated on both basic and operational issues and used internal staff, visiting scholars, contract procurement, and grant assistance to perform studies. For example, a comprehensive 42 month research study was implemented to consider the economic future of the 6 state High Plains Region, which is dependent on a dwindling water supply. Launched under the provisions of the Water Resources Development Act of 1976, the research focused on sections of 6 states, including Texas, which draw water from the Ogallala Aquifer. The study was conducted under the guidance of the High Plains Study Council, with the participation of the U. S. Army Corps of Engineers and the six states affected.

In FY 1979, the EDA approved 42 infrastructure development grants designed to help meet the costs of facilities that were prerequisite to industrial and commercial growth, and that were part of a community

program for economic development. In the absence of these basic public works facilities and improvements, private investors were unlikely to consider locating or remaining in an area. One example of such a grant was the $317,600 funding to Jasper, Texas for improvements to the central business district, including streets, sidewalks, and parking. In addition, the EDA made grants for the construction of skill training facilities in several states, including Texas.

EDA private-sector financing during FY 1979 included $1.8 million to Griffin and Brand of McAllen, Inc. for the establishment of a frozen food plant in Starr County, Texas. The plant was expected to create 200 jobs, with most jobs filled from the Hispanic community, and to strengthen the market for vegetables grown in the Rio Grande Valley.

Title IX adjustment funds were available to areas experiencing long-term economic deterioration in FY 1979. For example, in the town of Mission, Texas, a predominantly Hispanic rural community of 16,000 in the Lower Rio Grande region, a $600,000 Title IX grant carried out an adjustment program and initiated a revitalization of a blighted area of the central business district. Mission's problems had arisen over several years as businesses and shops closed leaving vacant buildings and deteriorating conditions in the downtown area and a declining tax base. Mission's adjustment program called for establishment of a downtown plaza and community center to provide a focal point for public gatherings and special events to attract people and firms to the central business district. Plans included the expansion of traditional marketing areas near the plaza, with the plaza development expected to enhance the growth of tourism in the Lower Rio Grande region.

During FY 1980, a number of public works projects were approved, including a $300,000 grant to the city of San Antonio to help develop a commercial area and complete a scenic walkway connecting a new downtown hotel with historic Alamo Plaza. A recent evaluation of the Title I public investment programs published in 1980 revealed that EDA

public works projects attracted private investment that resulted in labor-intensive, consumer-product manufacturing activities which tended to be national or regional in scope, and that private investment and employment resulting from EDA public projects overwhelmingly represented new development.

By FY 1976, the EDA had begun to administer assistance to firms and communities suffering from, or facing the threat of severe import competition. Authorized by the Trade Act of 1974, the program included business loans and guarantees for fixed assets and working capital. EDA technical assistance was also available to help firms become more competitive by providing the knowledge necessary to plant modernization and improved management and marketing techniques. In FY 1980, an example of a trade adjustment loan and technical assistance project in Texas was the $4 million loan and guarantee package for the Farah Manufacturing Co. of El Paso, helping save almost 3,500 jobs. Farah, a producer of casual wear, anticipated increasing its work force to more than 5,100 after it was fully operational, with 94% of the employees being Hispanic-Americans.

During FY 1980, in keeping with a White House energy initiative for rural America, the EDA worked with the Department of Energy and furnished 16 grants totaling $400,000 to multi-county economic development districts, enabling them to incorporate energy conservation into their planning and program activities. Also, under the EDA's Public Works Impact Program, the EDA provided about $14.5 million in grants to communities for conservation measures such as the insulation of public facilities. An example of an energy-related project during FY 1980 was the $4.4 million grant to the Northeast Texas Municipal Water District to expand a regional water system in support of natural gas and oil development in a 3 county area. Energy impinged upon EDA's basic mission of economic development in three ways: (1) the EDA helped foster economic ajustment which was needed due to the high cost or unavailability of sufficient energy; (2) EDA investments, both public and private, could be strengthened by the sound use of energy conservation techniques and practices; and (3) the EDA could help distressed communities take advantage of development

opportunities in the energy field.

Other EDA Activities

In other actions from the EDA, the Community Emergency Drought Relief Act of 1977 gave the EDA the temporary authority to provide grants and low interest loans to communities for emergency water system improvements that could be completed quickly and that were essential to protect public health and safety. As a result of this legislation implemented by the EDA, a $175 million Community Emergency Drought Relief Program was available for cities and counties (with populations in excess of 10,000), states, Indian tribes, and non-profit organizations such as water districts. The EDA was given responsibility for this program because the EDA's mandate also encompassed economic adjustment assistance efforts. Drought relief aid, like EDA assistance in response to military base closings, steel plant cutbacks, or other responses to sudden economic dislocations, fulfilled this mandate by helping areas and their residents adjust to rapidly changed economic circumstances. For example, the Final Report (1977) of the Community Emergency Drought Relief Program, listed two Texas projects; (1) a $130,00 grant to El Paso for a reservoir and transmission line; and (2) a $24,000 grant for Canyon, Texas for a new well and connecting line to an existing distribution system and altitude valve for a storage facility.

The EDA has also funded a number of Indian projects over the years. For example, between the inception of the EDA and September 30, 1977, a total of $4,117,600 had been granted by the EDA to Texas' two Indian tribes; (1) the Alabama-Coushatta Tribe received a total of $2,990,680, primarily for tourism and recreation; (2) the Tigua Tribe received $1,126,920 for tourism and recreation, as well as historic restoration and an education and cultural center.

Economic development in Texas had also been facilitated by CETA Special Grant funds. For example, in the publication, Rural Job Creation - - A Study of CETA Linkage with Economic Development, published by CSR, Inc., February 29, 1980 (Bruno A. L. and Wright, L.

M., Jr. 1980), one of twenty case studies concerned the Texas Loan Evaluation Program, Texas Governor's Special CETA Grant, TDCA, for Schulenburg, Fayette County, Texas. There, CETA Special Grant funds helped pay for a business loan evaluation program designed to assist new and expanding industries which would provide jobs for the unemployed. CETA prime sponsors provided referrals and some training.

Other EDA programs operating in Texas were reported in the Employment and Training Report for the President and transmitted to the Congress in 1980. For example, under the CETA Title IV Programs, the Consolidated Youth Employment Program (CYEP) demonstration is now in operation. The principal objectives of this demonstration are to merge the major design features of the Youth Community Conservation and Improvement Projects (YCCIP), the Youth Employment and Training Program (YETP), the Summer Youth Employment Program (SYEP) and youth activities under CETA Title II B & C, in order to bring about more flexible planning and allocation of resources for youth programs in each prime sponsor area. In addition, this demonstration can focus these resources more specifically on meeting the needs of youth in accordance with individually developed employability plans. Fourteen prime sponsors nationally are now participating in this demonstration, one of which is the Central Texas Manpower Consortium, San Saba, Texas. (pp. 35-37)

A number of projects have been developed under the broad outreach and public information program developed in 1978 by the Veterans Employment Service, with particular emphasis on attracting the hard-to-reach veterans. One such project in FY 1979 was the American GI Forum, funded through a contract to establish and maintain veterans' outreach projects in five cities (San Antonio, Corpus Christi, Houston, El Paso, and Denver) through its Veteran's Outreach Program. The contract for $200,000 was effective March 26, 1978, to extend for ten months (Employment and Training Report for the President, 1980 p. 110).

Under the vocational rehabilitation (VR) program, administered by

state vocational rehabilitation agencies, efforts to assist handicapped individuals to prepare for and engage in gainful occupations have resulted in provisions for evaluation of counseling, health care, training, job placement, and other services that contribute to rehabilitation. For example, the Texas Rehabilitation Agency, in addition to cooperative programming under an agreement with the CETA balance-of-state sponsor, has two other contracts to provide services to clients who are not severey disabled. The first, under a contract with the CETA sponsor in Austin, is to provide vocational training to joint CETA-VR clients. The second, a joint contract in Houston, will serve 2,400 disabled CETA clients, who will be provided medical care, vocational training, tools, supplies, and other necessary services (p. 136).

Case Studies of Economic Development Districts In Texas

To provide more insights into economic development in Texas, case studies of three economic development districts in Texas are summarized here.

Coastal Bend Economic Development District Corpus Christi was the EDA's first designated economic development center. The goals of the District were broken into three groups. Priority A goals included the increase in the supply of water, industrial activities to use the mineral and agricultural products of the District, improve education generally, especially vocational and technical education, promote tourism, promote increased agricultural productivity through pasture improvement, and promote R & D of seafood farms and mineral extraction of the Gulf. Priority B goals included the upgrading of public utility systems which eliminate water pollution problems, increase the supply of low-price, high-quality housing, promote industrialization, and improve transportation facilities (harbors, highways). Priority C goals included the improvement of recreation facilities, hospitals, nursing homes, public transportation systems, and cultural opportunities. Despite these goals of the Overall Economic Development Plan, the Board of Directors believed that the goal was to create jobs and nothing more.

Local public and private groups had been anxious to attract labor-intensive industries such as textile and garment manufacturers to Corpus Christi. They had succeeded in attracting a Levi Strauss and a Haggar plant to the area, having subsidized these plants to some extent, even though they faced opposition to direct subsidizing of private firms. The problems of the District included local officials who disapproved of Federal involvement in their problems, and negative attitudes against unemployed Hispanics. The district was too large geographically for one staff to cover; the boundaries had been chosen to satisfy EDA criteria, with redevelopment area (RA) counties that were remote to Corpus Christi (some counties were closer to San Antonio which could not serve as a growth center because it was too large). At the same time, three governor-designated Regional Planning Commissions existed within the District, a situation which caused financial and planning problems for the EDD.

The Positive Action Program (PAP) of Corpus Christi, first prepared in early 1968, established two goals; (1) make community residents aware of district-wide problems; and (2) serve as an operational guide in Corpus Christi. Twenty-four organizations were identified as playing a role in carrying out the activities listed in the PAP. One organization was the Del Mar Technical Institute, which offered vocational and technical training for large numbers of local citizens. Another organization was the Community Development Corporation (CDC), aimed at involving local private businessmen in solving urban problems, especially lack of adequate housing. CDC assisted other local non-profit groups by handling technical and administrative matters, provided professional guidance, and made available initial 'seed' money at favorable interest rates.

Unfortunately, Corpus Christi's PAP proved ineffective in furthering the growth center strategy. The field team concluded that the PAP had not made the community aware of district-wide problems, and that no PAP programs had a direct or significant impact upon the surrounding redevelopment areas (RAs). Those activities that had an impact on the poor were parts of previously initiated programs and

would have occurred anyway. Jobs and income benefits from existing EDA projects in the growth center had no impact on residents in the RA counties. It was found that the EDA had not done its part to insure that the PAP was effective, since there were few commitments to RA residents and no new programs to benefit the unemployed residents of the center. (U. S. Department of Commerce, February, 1972)

During the early 1970s, many EDA-assisted projects were approved in the Coastal Bend Economic District, five of which were completed at the time of the EDA Growth Center Evaluation Case Studies in February 1972. The completed projects resulted in 219 jobs mainly attributable to the EDA, and the jobs represented $1.6 million in yearly salaries. The total investment by the EDA amounted to $1,777,000 or an investment-per-job total of $5,367. Among the projects approved were the following:

(1) $125,000 public works grant to the Southwest Research Institute for the procurement of scientific equipment for marine laboratories.

(2) $234,00 public works grant to the Nueces County Navigation District for construction of a deep sea oilterminal for loading supertaners.

(3) $410,000 business development loan to the Sheraton Marina Inn, Inc. for construction of a hotel-motel facility to accomodate the tourist trade.

(4) $358,000 business development loan to Coastal Freezing, Inc., Aransas Pass, to enlarge the freezing and processing capacity of its shrimp plant.

(5) $60,000 technical assistance grant to the Coastal Bend Economic Development District for a study of tourism-recreation potential of the district.

(6) $650,000 public works grant to Nueces County Navigation District for construction of the Rincon Industrial Park, a water-oriented industrial park with canals, bulkheads, streets, and railroads.

(7) $830,000 public works grant to the City of Corpus Christi to extend water lines to the Naval Air Station, the Army Helicopter Repair

Depot, poverty areas of Flour Bluff, and Padre Island.

(8) $519,000 public works grant to the City of Aransas Pass for development of the harbor.

(9) $112,500 public works grant to the City of Nixon for the expansion of their water system.

(10) $120,000 public works grant for the expansion of a center for the rehabilitation of paraplegics so that they may return to gainful employment.

(11) $16,053 public works grant to establish a library in Florenville, Texas.

In addition, the economic development district staff compiled industrial fact books for the City of Alice and Bee County, the latter including an economic base study of the county with surveys of the businessmen and a citizen's survey. At the same time, the staff published a newsletter with the express purpose of informing the leaders in the district as to what was available to them through the district office and what the office was accomplishing.

Certain segments of the business community in Corpus Christi and Aransas Pass had shown an interest in the economic development process, but success was minimal and the EDA's influence on local activities and attitudes was insignificant for several reasons.

The ability of the City government to diversify the economy of Corpus Christi was hampered by ill feelings among the races. The lack of an upper-level educational institution was a big problem. The citizens had voted down bond issues for new public buildings and a controversy developed concerning a dam location. There was disagreement about the propriety of subsidizing new firms in an effort to attract them (such as the Haggar and Levi Strauss plants). A lack of adequate housing for a large segment of the community population detracted from Corpus Christi's attractiveness as a site for new companies. The reasons for this lack of building activity were the unavailability of funds at reasonable rates, an insignificant number of federally subsidized housing allocations, and the lack of interest by contractors in building low cost houses on an individual or cluster

basis. The banks tended not to lend funds to development groups that supported local businessmen who received an EDA loan; EDA projects and activities had little or no impact on the bank's lending policies. The dominant economic interests in the region were gas and oil interests and the local land owners, none of which seemed to foster development as a high priority. Most community organizations in Corpus Christi were uninformed and remained non-commital to developmental activities, and EDD staff had done little to stimulate or encourage broad-based, organized community activities regarding social and economic problems. Residents of Corpus Christi, the growth center, had little in common with the redevelopment area (RA) counties, particularly with regard to the economic base. Hence, economic development programs had limited effect, with only token efforts to employ Hispanics and blacks on the part of firms receiving EDA assistance. (U.S. Department of Commerce, February, 1972)

Deep East Texas Economic Development District

This district was incorporated in December 1966 and consisted of 12 counties located in the eastern part of Texas bordered on the East by Louisana. The growth center of the district was not a city but an area of about 30 miles centering around Highway 50, centrally located in the EDD, consisting of three cities, Nacogdoches, Lufkin and Diboll. The economy of the area traditionally was cotton, with forestry becoming important in recent years. The city of Diboll was dominanted by Temple Industries which produced wood products. The district had suffered from extensive outmigration of the younger, more educated segments of the population and of blacks. There was a lack of education, training, and skills among the remaining labor force. The potentials for the area were in the development of the forestry industry and recreational facilities, with some undeveloped mineral resources of unknown potential.

The goals of the OEDP, the Board, and the staff were to improve the living conditions in the area and to stimulate the overall economic growth of the district. In addition, a need to support the agricultural economy, to expand the minerals industry, to develop the

forestry industry, and to expand the number of manufacturing industries was recognized also; the desire to improve public facilities, to compete favorably for outside industry, and to develop recreational facilities was evident. Needed also, was improved housing for the poor, the elderly and for potential employees of industry (construction of houses would also help the forestry-based economy)

The most pressing problem in the economic development district was the lack of sufficient staff to carry on the business of the district, created by an inability to find capable people willing to locate there. Another problem centered around the location of the district office, with some centers not chosen refusing to join the district or to pay their dues (such as Lufkin). Some of these centers were opposed to the district from the beginning, seeing no value in channelling their applications through the district office. This situation caused ill feelings among the cities that paid their dues and were not entitled to EDA grants because they were not a growth center. Another problem was that some areas were designated non-(RA) counties because a few wealthy people raised the average income level too high to allow the county to be a RA, even though large pockets of poverty existed. This could have been alleviated by making the criteria for designation as an RA a fixed percent of the population whose income was substandard. Another problem was that a number of approved EDA projects were slow in being funded, if at all, causing disillusionment with the Federal government, particularly the EDA. Still another difficulty lay in the geographical size of the district which created administrative problems for the economic development specialist. Many of the mayors of small towns in the district were only part-time officials and not well versed concerning bids, bond floating, or following the progress of a project. There were communication problems between the EDA and the executive director of the Deep East Texas EDD on the status of projects, which hindered the director's ability to assist local people in the completion of projects. (U. S. Department of Commerce, February, 1972)

Among the grants and projects considered and/or approved in the

Deep East Texas Economic Development District during the early 1970s included the following:

(1) $50,120 Federal Housing Administration (FHA) grant to do a water and sewage facilities survey and to produce a regional water and sewage plan for the next 20 years.

(2) $155,000 FHA grant for water and sewage facilities for the City of Corrigan.

(3) $201,00 EDA public works grant in the City of Trinity for the construction of a water and sewage system.

(4) The EDD office obtained 8 SBA loans totalling $193,000.

(5) 14 units of FHA public housing were approved for the City of Cushing and 14 more units for the City of Chireno; 80 units of low cost housing, and 120 units of elderly housing were approved for Corrigan.

(6) EDA Technical Assistance Grant was obtained to study certain clays in the region, with intention of finding possible uses for these clays.

Lower Rio Grande Valley Development Council

Lower Rio Grande Valley Development Council (LRGVDC) was formed in 1966 under the EDA guidelines as the Texas Southmost Economic Development District (TSEDD), consisting of Cameron, Hidalgo, and Willacy counties and three neighboring counties. Later in 1966, the three neighboring counties withdrew from TSEDD to ally themselves with another district that offered closer economic ties, with the remaining counties forming the LRGVDC. According to the publication Jobs Through Economic Development, (U. S. Department of Commerce, January, 1979), the LRGVDC was funded by EDA, the Department of HUD, and the State of Texas. In addition to its economic development role, the Council served as the local criminal justice planning agency, the area agency on aging, and a human reources agency concerned with area problems of alcohol and drug abuse. To elicit the widest possible support, "the Council had 67 members, representing 3 county

governments, 27 municipal governments, 4 navigation districts, 12 special purpose agencies (water, pollution, hospital, etc.), 2 citizens' organizations, 9 school districts, and the general public." An 18-person board of directors, which included an executive committee of 5 officers, governed the group's activities. The primary goal of the Council was to encourage industrial development to provide employment for the jobless and the underemployed. From 1968 - 1977, communities participating in the Council received 48 grants from EDA totaling $17.3 million and 4 EDA loans of $2.5 million; the grants and loans generated an additional $14 million in local and other matching funds. These 52 funded projects created direct employment for 18,000 persons and indirect employment for another 14,080. In addition, member communities during 1977 received EDA grants totaling more than $18 million for 39 projects under Rounds I & II of the Local Public Works Program. At the same time, bank deposits more than tripled, from $361 million to $1.149 billion, and savings association deposits rose steadily from $113 million to $440 million.

In an effort to make sure that the work of the council would benefit all parts of the 3 county area with immediate benefits plus future growth, the Council designated the three largest cities as growth centers for the area, Brownsville, Harlingen, and McAllen, each about 30 miles apart.

The Council also established a list of five priority "A" goals: (1) create and expand manufacturing industries and business development in the Valley; (2) improved vocational and technical training; (3) increase and conserve the supply of raw water for industrial and agricultural use, and improve and increase the water supply used for domestic purposes; (4) improve flood control and drainage; and (5) improve the entire system of waste disposal including sewage, solid waste and brush.

Among the grants and projects considered and/or approved in the LRGVDC from 1968 to 1977 were the following:

(1) The United States-Mexico Commission for

Border Development and Friendship was created in April 1966 to determine how cooperative action could raise the standard of living of border communities from a social, cultural and material point of view. As a result of public hearings held by U.S. Commissioners along the border area, the Commission concentrated on low income housing, manpower development, community centers and services, libraries, industrial and economic development, health and sanitation, transportation, recreation, tourism and beautification, planning and technical assistance, and education and vocational training. The EDA engaged in an effort to improve the border area's economic base through the provision of essential community public works and other related activities designed to generate additional jobs and higher income, with programs relying upon coordinated community and district economic development programs designed to support the more promising private economic opportunities that can be identified (EDA Annual Report FY 1968).

(2) The EDA financed a $44,000 public works grant (out of the $110,000 total cost) for a sanitary sewage system for Weslaco, Texas in 1968, which brought service to about 60 homes previously relying upon septic tanks, outhouses, and cesspools for sewage disposal. In addition, this project opened up an entire area to new development, with plans for a 300 space trailer park which would result in substantial retail spin-off.

(3) The EDA financed a series of grants which resulted in the Port of Brownsville facility, which included a $42,000 acre industrial park, being expanded and improved. The first and most important of the EDA grants was for $1,050,000 to enlarge the channel. This improvement resulted in the Port attracting its largest employer, the Marathon-LeTourneau's Gulf Marine Division, which manufactured the offshore drilling platforms used in the Gulf. More than 1,000 people work at the facility. Because of its proximity to Mexico, the deep-water channel attracted five ship-dismantling operations, which strip old ships of nonferrous metals and usable parts for resale, and ship the scrap iron to electric furnace steel mills in Mexico. These EDA grants provided the Port

with the stimulus to almost triple its revenues in a 5-year period.

(4) The EDA furnished a $720,000 grant for a fishing harbor which was fully leased before completion in 1977. The harbor was home port for 400 shrimp boats as well as temporary docking of another 1,500 boats, which together unloaded more than 4,000 tons of Gulf shrimp in 1978.

(5) A $383,000 EDA grant financed the expansion of the grain-storage capacity in the Valley by 500,000 bushels. This saved Valley grain ranchers about $.15 per bushel in freight, or $500,000 a year since the grain storage has turned over an average of six times a year. This half-million dollar saving can be reinvested or put in the banks, benefiting the economy of the Valley either way.

(6) Plans were formulated for Federal funds to pay for 95% of the $24 million cost to develop the Port of Brownsville's 42,000 acre industrial park, including the construction of rail spur extensions and improved water and sewer facilities, and the relocation of main rail connections with the Mexican-sponsored industrial park on the other side of the Rio Grande. Further plans called for the deepening of the Channel to about 45 feet, creating a true deep-water port, a new 2500 foot docking basin, a 3000-linear-foot barge dock, a 2500-foot parking apron, the installation of new ore/coal unloading equipment, another 1800 linear feet of dock space with grain-handling capability of 800 tons per hour.

(7) The Harlingen Industrial Airpark was a key factor in the economic development of Harlingen, a city near the center of this tri-county area. In 1967 an EDA grant for $417,000 provided the impetus for the project by financing the original terminal, the parking lot, and the access road. The one-time Air Force base was transformed into a bustling combination airport and industrial park, employing more than 2000 people in 25 diverse businesses. Served by only two scheduled airline, Texas International and Southwest Airlines the terminal was forced to double capacity in 1977. In 1975, passengers totaled 107,000, while in 1977 the number had climbed to 240,000.

(8) The McAllen Foreign Trade Zone was the direct result of an EDA grant of $420,000 coupled with a $252,000 loan, plus a $168,000 floated debenture issue in $1000 denominations, no more than

10 to a buyer, as a means of building local support. The McAllen Foreign Trade Zone was the United States version of the free port concept, whereby goods were brought from the U. S. and other nations to be reassembled, repacked, and possibly relabeled, then either stored awaiting quota allotments, or reshipped to points throughout the world, including the U. S., at major savings in tariff duties. Within 4 years, more than 600 people were employed at the 40 acre site, generating at least another 800 additional jobs in the area.

(9) An EDA loan for $950,000 financed the construction of an initial plant for Erika, a manufacturer of kidney dialysis filters. The operation took advantage of both the low wage scale and duty exemptions of the zone. A special plastic used in the filters was shipped in without duty and the plastic elements were then assembled into the dialysis filters, 60% destined for the U.S. Duty was paid only on the plastic, not on the value added by the assembly.

(10) McAllen-American, a subsidiary of Kimball, manufacturer of organs and pianos, also utilized the McAllen Foreign Trade Zone. McAllen-American shipped wood parts over the border from a sister plant in Mexico where the labor rate was lower than in the Valley. The parts were then assembled into organ and piano harnesses and shipped on to Kimball plants in Indiana. Duty was paid only on the low-value wood parts.

(11) Given the success of Erika and McAllen-American, the expectation that every square foot of the McAllen Foreign Trade Zone could be leased, the LRGVDC recommended the approval of applications for several more EDA grants including: (1) $1 million to expand the water system in the zone to meet the needs of present tenants and to provide additional capacity for future industrial expansion; (2) $450,000 to construct a 40,000 square foot freezer-storage building.

(12) Texas State Technical Institute (TSTI), Harlingen, Texas. The LRGVCD helped obtain an EDA grant of $1,905,000 to build a complex of vocational training facilities on 118 acres at the Harlingen Industrial Airpark, as a means of supplying industry with skilled workers. The former Air Force barracks were converted to residential quarters. The combined technical-vocational training school was accredited and geared to meet the special needs of business and industry

in the Valley by training the unemployed and underemployed.

Forty-six areas of study were offered, lasting from one to two years, under three broad curricula: (a) a tuition program for students who could afford to pay for their schooling and wished to take more advanced training and specialization in a particular technical field; (b) MDTA-funded programs of shorter duration aimed at the disadvantaged in the area, not primarily migrant farm labor; and (c) the disadvantaged Adult Migrant Program, aimed at the migrant population of the region. This program had significant impact on its participants, with 91% of the participants found to be adequately trained by TSTI for the job obtained and a 38% median increase in income for the participants analyzed. About half of the participants interviewed were migrants; as a result of the training, the migratory pattern for these individuals and their families was broken, with the participant improving his housing, health, and transportation. With a larger trained labor force in the area, more business and industry could be encouraged to locate or relocate operations in the Valley. For example, if the school had not provided a special program to train welders, the Marathon-LeTourneau plant at the Port of Brownsville might not have located there. During the first 8 years of operation, TSTI served 15,600 students, with almost two-thirds working in the field of training.

The Reagan Budget Cuts and the Lower Rio Grande Valley Development Council

With FY 1981 and the Reagan Administration budget cuts, much of the flow of federal dollars will dry up, as noted in The Wall Street Journal article of March 26, 1981. A Congressional consensus agrees that waste, mismanagement, and duplication exist in many of the federal programs scheduled for extinction or reduction; however, there is no consensus concerning which programs specifically are wasteful and mismanaged and where the cuts should be made. Some people worry less about cuts in economic development programs, since many schools, sewer lines, and the like have been built, and worry more concerning the loss of 1700 public employment jobs and 15% cutbacks in two major health clinics. A pervasive feeling in the Valley is that the

problems are so intractable that no combination of federal programs will make much difference. "The fact is, for all the federal programs, for all the millions of dollars, valley residents, 80% of whom are Mexican-American, are no better off now than they ever have been, according to The Wall Street Journal sources. For example, a federal table of the most economically distressed communities in the country shows San Benito in second place (behind Pontiac, Michigan), and two other valley towns, Edinburg and Pharr, in the top 10.

The consequences of the Federal cutbacks will be significant. For example, in the Valley town of Donna, 28 of the city's 105 employees are paid out of CETA funds, including a policeman, and trash and garbage collectors who are available three times a week and regular pickups for palm leaves and other brush. Collection now will have to be reduced and perhaps a charge instituted for palm leaf collection. The Donna City Manager concedes that the town "became dependent upon CETA" and allowed their tax base to deteriorate, employing fewer people of their own and services in the fields declined.

In San Benito, the mayor worried about losing the $261,000 EDA public works grants to provide sewer and water lines and roads and drainage for an expansion of the industrial park, which was itself built with EDA grants. With the cutbacks, the town may lose a plant, which had planned to move to the expanded industrial park, and the jobs it would have created.

The Mayor of San Benito is more confident that the $630,000 Urban-Development Action Grant to revitalize the downtown business section is safe. The city has established a private corporation to build a bridge across the Rio Grande to Mexico, which will be financed by revenue bonds, the bonds eventually being retired by bridge tolls. If necessary, San Benito can put aside $80,000 a year to pay for the bonds should the tolls fall short.

According to The Wall Street Journal, the EDA, which had financed some worthy projects in the Valley, has recently had difficulty giving

the money away. A year or so ago, EDA officials in Washington demanded that the local people dispose of the $720,000 allotted to them in a revolving-loan program. Most was finally lent, after much difficulty in finding any recipient, to a meat company in Brownsville that said it would save 40 local jobs if it got the loan.

The big problem in the Valley is the lack of jobs, caused by the remoteness of the area and the shortage of water. The graduates of the Texas State Technical Institute have been leaving the Valley in droves for high-paying jobs in Houston, Beaumont, and Galveston, or even Los Angeles, and for every TSTI graduate leving the area, 2 or 3 more enter the Valley illegally from Mexico and Central America. "And no one (in the Valley)-no one in Washington or any where else-knows what to do about it. (The Wall Street Journal, 1981)

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